

CITY OF MILLINGTON, TENNESSEE
FINANCIAL STATEMENTS

June 30, 2014



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

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2014, 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information on pages 47 to 74 and the schedule of expenditures of federal awards on pages 75 to 76 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 47 to 74 and the schedule of expenditures of federal awards on pages 75 to 76 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information on pages 77 to 84 has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$100,743,302 (net position). Of this amount, \$5,542,583 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City's governmental funds reported total fund balances of \$9,572,718. Of this amount, \$2,721,217 (unassigned fund balances) may be used to meet the general government's spending requirements.
- At the end of the current fiscal year, fund balance of the General Fund was \$7,312,498. This included a commitment of \$3,275,660 for financial stabilization, \$1,000,000 for emergencies and \$237,785 for library construction. The unassigned fund balance of \$2,560,532 represents 23% of total General Fund budgeted expenditures and transfers for FY15.
- During the fiscal year, the City's issued \$88,714 in notes payable for the continuation of the renovation of the sewer plant. The City retired \$513,420 of principal in notes payable previously issued.
- During the year, the City entered into a Settlement Agreement with Shelby County and their Board of Education. The City's Municipal School System acquired land, buildings and improvements, and related furnishings and equipment from the Shelby County Board of Education with a market value of \$45,916,000. In exchange the City agreed to make 12 annual payments of \$230,219 per year beginning in November 2014 from its school system to the Shelby County Board of Education.
- The city entered an exchange transaction in March 2009 that required the transfer of the Millington Library to the Millington Telephone Company (now Ritter Communications) no later than 2019. During the year, Ritter Communications forgave the debt which allows the City to keep the Library.

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, 2014. 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, City Sales Tax Fund, General Purpose School Fund and the Capital Projects Fund on pages 47 through 61 and for all other governmental funds on pages 66 through 74 to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented on pages 14 through 22.

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 23 through 25.

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 26 through 45 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 and deferred inflows of resources by \$100,744,112 at June 30, 2014.

Condensed Statement of Net Position
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,878	\$ 14,175	\$ 5,730	\$ 1,905	\$ 19,608	\$ 16,080
Capital assets	86,223	40,067	15,554	14,976	101,777	55,043
Total assets	<u>100,101</u>	<u>54,242</u>	<u>21,284</u>	<u>16,881</u>	<u>121,385</u>	<u>71,123</u>
Long-term liabilities	13,676	11,675	1,305	1,011	14,981	12,686
Other liabilities	1,851	1,617	1,254	153	3,105	1,770
Total liabilities	<u>15,527</u>	<u>13,292</u>	<u>2,559</u>	<u>1,164</u>	<u>18,086</u>	<u>14,456</u>
Deferred Inflows of Resources	2,554	2,612	-	-	2,554	2,612
Net position:						
Invested in capital assets, net of related debt	79,414	32,228	15,554	14,976	94,968	47,204
Restricted	233	245	-	-	233	245
Unrestricted	2,372	5,865	3,171	741	5,543	6,606
Total net position	<u>\$ 82,019</u>	<u>\$ 38,338</u>	<u>\$ 18,725</u>	<u>\$ 15,717</u>	<u>\$ 100,744</u>	<u>\$ 54,055</u>

By far the largest portion of the City's net position (94.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,542,583) 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.

MANAGEMENT DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014

City of Millington, Tennessee

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues :						
Program Revenues :						
Charges for Services	\$ 2,982	\$ 3,070	\$ 3,149	\$ 3,194	\$ 6,131	\$ 6,264
Operating Grants and Contributions	197	227	1	-	198	227
Capital Grants and Contributions	46,828	8,619	16	10	46,844	8,629
General Revenues :						
Local Taxes	6,644	6,221	-	-	6,644	6,221
Intergovernmental revenues	4,093	3,501	-	-	4,093	3,501
Interest on Investments	6	35	(3)	3	3	38
Other Revenue	248	157	8	5	256	162
Transfer	(2,290)	-	2,290	-	-	-
Total Revenues	<u>\$ 58,708</u>	<u>\$ 21,830</u>	<u>\$ 5,461</u>	<u>\$ 3,212</u>	<u>\$ 64,169</u>	<u>\$ 25,042</u>
Expenses :						
General Government	2,455	1,713	-	-	2,455	1,713
Education	3,276	171	-	-	3,276	171
Public Safety	5,934	7,085	-	-	5,934	7,085
Community Services	565	2,295	-	-	565	2,295
Transportation and Environment	2,557	2,400	-	-	2,557	2,400
Interest on long-term debt	240	265	-	-	240	265
Water	-	-	1,141	1,218	1,141	1,218
Sewer	-	-	1,312	1,399	1,312	1,399
Total Expenses	<u>15,027</u>	<u>13,929</u>	<u>2,453</u>	<u>2,617</u>	<u>17,480</u>	<u>16,546</u>
Increase/(Decrease) in Net Position	43,681	7,901	3,008	595	46,689	8,496
Net Position - beginning	38,338	30,437	15,717	15,122	54,055	45,559
Net Position - ending	<u>\$ 82,019</u>	<u>\$ 38,338</u>	<u>\$ 18,725</u>	<u>\$ 15,717</u>	<u>\$ 100,744</u>	<u>\$ 54,055</u>

Governmental activities. Governmental activities increased the City's net position by \$43,681,151, thereby accounting for an 85% increase in total assets. Most categories of revenue were higher except charges for services, operating grants and contributions and interest on investments while expenditures in total did not increase by a similar amount. The major increase in revenues and net position was the receipt of a contribution of school assets in the amount of \$45,916,000.

Business-type activities. Business-type activities increased the City's net position by \$3,004,432. The Water Fund increased by \$2,394,318 in net assets due to receiving forgiveness of a loan and controlling of expenses. The Sewer Fund increased by \$613,114 in net assets due to controlling of expenses.

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. The basic governmental fund financial statements are presented beginning on page 14.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$9,572,718, a decrease of \$882,284 in comparison with the prior year. Approximately 28% of this total amount (\$2,721,217) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of non-spendable, \$259,639, restricted, \$233,289, committed, \$5,863,893, and assigned \$494,680. The General Fund is the chief operating fund of the City.

At June 30, 2014, unassigned fund balance of the General Fund was \$2,560,532, while the total fund balance reached \$7,312,498. 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 27.2% of total General Fund Expenditures, while total fund balance represents 77.6% of that same amount.

The fund balance of the City's General Fund increased by \$432,727 during the fiscal year ended June 30, 2014 compared to a \$20,503 decrease the prior year. This change consisted of two major components. Revenues improved over the prior year by \$295,811 while expenditures and net operating transfers decreased by \$157,419.

The increase in the fund balance for the City Sales Tax Fund was the result of the first full year of collections of the sales tax and only a partial year of operations for the municipal school system in preparation for beginning of classes in August 2014.

The increase in the fund balance for the General Purpose School Fund of \$4,334 was generated from funding of a utility deposit by the city and accrued mixed drink tax from the State.

The decrease in the fund balance for Capital Improvements Fund of \$2,075,670 was primarily the result of transferring \$2,290,243 to the Water Fund to allow it to eliminate an interfund liability to the Capital Improvements Fund.

The increase in the fund balance for Other Governmental Funds was \$280,102. The most significant portion is \$188,474 from General Fund operating transfers to eliminate inter-fund borrowings in two funds and underspending of 181,094 in the Sanitation Fund. These components of increase were offset by planned uses of fund balance for operations in three of the other funds totaling \$71,370, revenue collections under budget of \$3,766 and other items of \$14,330.

Proprietary funds. The City’s Water and Sewer Funds both had a positive change in net position for FY14. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by less than 1% or \$84,238. When excluding \$165,000 budgeted as planned use of fund balance, revenues actually exceeded budget. The overage was a combination of the following categories:

- Taxes over budget by \$22,627 with property and hotel-motel taxes exceeding budget while beer and local sales taxes were lower.
- Intergovernmental revenues were \$164,906 over budget due to higher than expected collections from state sales and income taxes and county shared fire fees.
- Fines, forfeitures and penalties were under budget by \$163,172 with city court collections being the most significant shortage.

General Fund expenditures were lower than budgeted by 5% or \$502,376 and transfers to other funds were lower by \$14,589 for a combined amount of \$516,965. The variances were due to the lower costs associated with a concerted effort of City government to control costs. The largest positive variance was in the Police Department in the amount of \$157,911, followed by \$128,222 in Arts and Recreation. Savings were achieved in all other departments as well.

Capital Assets and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$101,776,648 (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 \$46,733,709. Governmental activities increased \$46,155,593 or 115% and business activities increased \$578,116 or 3.9%.

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	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,061	\$ 5,246	\$ -	\$ 727	\$ 6,061	\$ 5,973
Buildings and improvements	53,706	8,797	-	25,057	53,706	33,854
Infrastructure	28,415	-	-	-	28,415	-
Furnishing and equipment	1,349	1,117	-	3,898	1,349	5,015
Vehicles	4,191	4,029	-	665	4,191	4,694
Construction in process	194	28,285	-	138	194	28,423
	93,916	47,474	-	30,485	93,916	77,959
Less accumulated depreciation	(7,694)	(7,407)	-	(15,509)	(7,694)	(22,916)
Total capital assets	\$ 86,222	\$ 40,067	\$ -	\$ 14,976	\$ 86,222	\$ 55,043

Long-term debt. At June 30, 2014 the City had total debt outstanding of \$15,688,960. Of this amount \$14,376,472 comprises debt for governmental activities and \$1,312,488 represents debt for business-type activities.

Condensed Statement of Outstanding Debt
 (dollars expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation loans	\$ 6,909	\$ 7,423	\$ -	\$ -	\$ -	\$ 7,423
Shelby County Board of Education settlement liability	2,340	-	-	-	2,340	-
Notes payable - construction	-	-	453	365	453	365
Net post employment benefit obligation	4,719	4,095	758	646	5,477	4,741
Compensated absences	408	402	94	91	502	493
Millington library exchange	-	671	-	-	-	671
Total long-term liabilities	<u>\$ 14,376</u>	<u>\$ 12,591</u>	<u>\$ 1,305</u>	<u>\$ 1,102</u>	<u>\$ 8,772</u>	<u>\$ 13,693</u>

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 2015 fiscal year are more fully discussed in the Budget document and include:

- The Board of Mayor and Aldermen approved a tax rate to fund FY15 expenditures of \$1.53 per \$100 of assessed value, the same as the prior year.
- City service rates for water, sewer, sanitation and stormwater remain the same.
- The City has budgeted to begin a process to repave streets in the City over an extended period of years. The FY15 budget includes \$250,000 for 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, 2014, Fiscal Year 2015 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, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 8,877,494	\$ 5,329,137	\$ 14,206,631
Receivables			
Property taxes	2,929,238	-	2,929,238
City taxes and fees	61,742	-	61,742
Accounts	256,199	435,607	691,806
Other	32,424	791	33,215
Less allowance for doubtful accounts	(323,153)	(163,321)	(486,474)
Internal balances	1,830	(1,830)	-
Due from other governments	1,766,157	78,675	1,844,832
Inventory	50,469	-	50,469
Restricted cash	14,269	530	14,799
Prepaid Items	211,050	50,935	261,985
Capital assets, not being depreciated	6,254,746	2,137,236	8,391,982
Capital assets, being depreciated, net	79,968,072	13,416,594	93,384,666
Total assets	<u>100,100,537</u>	<u>21,284,354</u>	<u>121,384,891</u>
LIABILITIES			
Accounts payable	383,809	1,137,877	1,521,686
Accrued expenses	507,737	115,937	623,674
Unearned revenue	2,785	-	2,785
Customer deposits	-	530	530
Due to other governments	256,490	-	256,490
Noncurrent liabilities:			
Due within one year	700,564	-	700,564
Due in more than one year	13,675,908	1,305,457	14,981,365
Total liabilities	<u>15,527,293</u>	<u>2,559,801</u>	<u>18,087,094</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,554,495	-	2,554,495
NET POSITION			
Net investment in capital assets	79,413,600	15,553,830	94,967,430
Restricted for:			
Capital outlays	219,507	-	219,507
Public safety	13,782	-	13,782
Unrestricted	2,371,860	3,170,723	5,542,583
Total net position	<u>\$ 82,018,749</u>	<u>\$ 18,724,553</u>	<u>\$ 100,743,302</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 2,455,466	\$ 724,979	\$ 197,536	\$ -	\$ (1,532,951)	\$ -	\$ (1,532,951)
Public safety	5,933,930	635,598	-	-	(5,298,332)	-	(5,298,332)
Community services	564,345	375,109	-	-	(189,236)	-	(189,236)
Transportation and environment	2,557,017	1,246,335	-	871,297	(439,385)	-	(439,385)
Education	3,275,976	-	-	45,956,600	42,680,624	-	42,680,624
Interest and fiscal charges	240,089	-	-	-	(240,089)	-	(240,089)
Total governmental activities	<u>15,026,823</u>	<u>2,982,021</u>	<u>197,536</u>	<u>46,827,897</u>	<u>34,980,631</u>	<u>-</u>	<u>34,980,631</u>
Business-type activities:							
Water	1,140,625	1,232,086	1,233	9,664	-	102,358	102,358
Sewer	1,311,917	1,916,763	-	6,139	-	610,985	610,985
Total business-type activities	<u>2,452,542</u>	<u>3,148,849</u>	<u>1,233</u>	<u>15,803</u>	<u>-</u>	<u>713,343</u>	<u>713,343</u>
Total primary government	<u>\$ 17,479,365</u>	<u>\$ 6,130,870</u>	<u>\$ 198,769</u>	<u>\$ 46,843,700</u>	<u>34,980,631</u>	<u>713,343</u>	<u>35,693,974</u>
General revenues:							
Local taxes					6,644,067	-	6,644,067
Intergovernmental					4,092,671	-	4,092,671
Interest on investments					5,526	(3,847)	1,679
Other revenues					248,499	7,693	256,192
Transfers					(2,290,243)	2,290,243	-
Total general revenues and transfers					<u>8,700,520</u>	<u>2,294,089</u>	<u>10,994,609</u>
Change in net position					<u>43,681,151</u>	<u>3,007,432</u>	<u>46,688,583</u>
Net position - beginning					<u>38,337,598</u>	<u>15,717,121</u>	<u>54,054,719</u>
Net position - ending					<u>\$ 82,018,749</u>	<u>\$ 18,724,553</u>	<u>\$ 100,743,302</u>

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

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2014

	General Fund	City Sales Tax Fund	General Purpose School Fund
ASSETS			
Cash and cash equivalents	\$ 6,555,651	\$ 831,618	\$ 198,578
Receivables			
Property taxes	2,929,238	-	-
City taxes and fees	61,742	-	-
Accounts	-	-	-
Other	32,424	-	-
Less allowance for doubtful accounts	(219,125)	-	-
Due from other funds	8,997	-	-
Due from other governments	1,005,796	251,189	2,455
Inventory	50,469	-	-
Restricted cash	14,269	-	-
Prepaid items	188,052	-	1,880
	<u>\$ 10,627,513</u>	<u>\$ 1,082,807</u>	<u>\$ 202,913</u>
LIABILITIES			
Accounts payable	\$ 147,184	\$ 12	\$ 126,165
Accrued liabilities	381,533	-	72,414
Unearned revenue	2,785	-	-
Due to other funds	45,647	-	-
Due to other governments	10,895	-	-
Total liabilities	<u>588,044</u>	<u>12</u>	<u>198,579</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	2,654,291	-	-
Grants	72,680	-	-
Total deferred inflows of resources	<u>2,726,971</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	238,521	-	-
Restricted	-	-	-
Committed	4,513,445	1,082,795	4,334
Assigned	-	-	-
Unassigned	2,560,532	-	-
Total fund balances	<u>7,312,498</u>	<u>1,082,795</u>	<u>4,334</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,627,513</u>	<u>\$ 1,082,807</u>	<u>\$ 202,913</u>

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

Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 741,348	\$ 550,299	\$ 8,877,494
-	-	2,929,238
-	-	61,742
-	256,199	256,199
-	-	32,424
-	(104,028)	(323,153)
43,585	2,062	54,644
217,549	289,168	1,766,157
-	-	50,469
-	-	14,269
-	21,118	211,050
<u>\$ 1,002,482</u>	<u>\$ 1,014,818</u>	<u>\$ 13,930,533</u>
\$ 40,432	\$ 70,016	\$ 383,809
4,569	23,948	482,464
-	-	2,785
-	7,167	52,814
245,595	-	256,490
<u>290,596</u>	<u>101,131</u>	<u>1,178,362</u>
-	-	2,654,291
217,549	234,933	525,162
<u>217,549</u>	<u>234,933</u>	<u>3,179,453</u>
-	21,118	259,639
-	233,289	233,289
-	263,319	5,863,893
494,337	343	494,680
-	160,685	2,721,217
<u>494,337</u>	<u>678,754</u>	<u>9,572,718</u>
<u>\$ 1,002,482</u>	<u>\$ 1,014,818</u>	<u>\$ 13,930,533</u>

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2014

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

Total fund balances - total governmental funds	\$ 9,572,718
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,222,818
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	624,958
Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds.	(25,273)
Long-term liabilities, including bonds payable, settlement liability, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,376,472)</u>
Net position of governmental activities	<u><u>\$82,018,749</u></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, 2014

	General Fund	City Sales Tax Fund	General Purpose School Fund
REVENUES			
Taxes	\$ 6,643,269	\$ -	\$ -
Licenses and permits	337,750	-	-
Intergovernmental	2,385,661	1,413,139	2,455
Fines and forfeitures	559,528	-	-
Fees for services	762,338	-	-
Interest on investments	4,361	460	-
Grants	197,536	-	-
Other revenues	120,983	-	-
Total revenues	<u>11,011,426</u>	<u>1,413,599</u>	<u>2,455</u>
EXPENDITURES			
Current:			
General government	1,791,686	-	-
Public safety	5,713,314	-	-
Community services	1,117,917	-	-
Transportation and environment	797,186	-	-
Education	-	235,675	699,822
Debt services			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital projects			
Total expenditures	<u>9,420,103</u>	<u>235,675</u>	<u>699,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,591,323</u>	<u>1,177,924</u>	<u>(697,367)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	701,701
Transfers out	(1,158,596)	(701,701)	-
Total other financing sources	<u>(1,158,596)</u>	<u>(701,701)</u>	<u>701,701</u>
Net change in fund balances	432,727	476,223	4,334
Fund balances - beginning	<u>6,879,771</u>	<u>606,572</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,312,498</u>	<u>\$ 1,082,795</u>	<u>\$ 4,334</u>

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

Capital Improvement Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ 6,643,269
-	-	337,750
-	291,416	4,092,671
-	76,070	635,598
-	1,246,335	2,008,673
101	604	5,526
651,714	18,488	867,738
61,400	66,116	248,499
<u>713,215</u>	<u>1,699,029</u>	<u>14,839,724</u>
-	-	1,791,686
-	79,345	5,792,659
-	-	1,117,917
-	1,511,471	2,308,657
-	-	935,497
-	513,420	513,420
-	231,647	231,647
729,481	10,801	740,282
<u>729,481</u>	<u>2,346,684</u>	<u>13,431,765</u>
<u>(16,266)</u>	<u>(647,655)</u>	<u>1,407,959</u>
230,839	933,532	1,866,072
(2,290,243)	(5,775)	(4,156,315)
<u>(2,059,404)</u>	<u>927,757</u>	<u>(2,290,243)</u>
(2,075,670)	280,102	(882,284)
<u>2,570,007</u>	<u>398,652</u>	<u>10,455,002</u>
<u>\$ 494,337</u>	<u>\$ 678,754</u>	<u>\$ 9,572,718</u>

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, 2014

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

Net change in fund balance - total governmental funds \$ (882,284)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, and capital grants and contributions exceeded depreciation in the current period. 46,155,593

Changes in interest payable on long-term debt. (8,442)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 201,893

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Compensated absence expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (1,785,609)

Change in net position of governmental activities \$43,681,151

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,620,642	\$ 6,620,642	\$ 6,643,269	\$ 22,627
Licenses and permits	284,250	284,250	337,750	53,500
Intergovernmental	2,220,755	2,220,755	2,385,661	164,906
Charges for services	767,429	767,429	762,338	(5,091)
Fines, forfeitures, and penalties	722,700	722,700	559,528	(163,172)
Federal, state and local grants	78,177	237,684	197,536	(40,148)
Interest on investments	2,000	2,000	4,361	2,361
Other	70,325	75,204	120,983	45,779
Planned use of prior year funds	-	165,000	-	(165,000)
Total revenues	<u>10,766,278</u>	<u>11,095,664</u>	<u>11,011,426</u>	<u>(84,238)</u>
EXPENDITURES				
General Government				
General government	830,608	1,252,074	1,229,293	22,781
Courts	245,770	222,545	216,313	6,232
Codes & economic development	354,365	264,002	233,875	30,127
Personnel	127,887	120,486	112,205	8,281
Public Safety				
Police department	2,926,091	2,832,218	2,674,307	157,911
Fire department	3,207,275	3,113,501	3,039,007	74,494
Community Services				
Library	322,383	321,936	314,345	7,591
Arts and recreation	969,656	931,794	803,572	128,222
Public Works	632,910	863,923	797,186	66,737
Total expenditures	<u>9,616,945</u>	<u>9,922,479</u>	<u>9,420,103</u>	<u>502,376</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,149,333	1,173,185	1,591,323	418,138
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(941,833)	(1,173,185)	(1,158,596)	14,589
Total other financing sources (uses)	<u>(941,833)</u>	<u>(1,173,185)</u>	<u>(1,158,596)</u>	<u>14,589</u>
Net change in fund balances	<u>\$ 207,500</u>	<u>\$ -</u>	432,727	<u>\$ 432,727</u>
Fund balance - beginning			<u>6,879,771</u>	
Fund balance - ending			<u>\$ 7,312,498</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 –
BUDGET AND ACTUAL – CITY SALES TAX FUND**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CITY SALES TAX REVENUES				
Intergovernmental	\$ 1,600,000	\$ 1,300,000	\$ 1,413,139	\$ 113,139
Interest on investments	-	-	460	460
Total revenues	<u>1,600,000</u>	<u>1,300,000</u>	<u>1,413,599</u>	<u>113,599</u>
EXPENDITURES				
Education	<u>1,600,000</u>	<u>579,793</u>	<u>235,675</u>	<u>344,118</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	720,207	1,177,924	457,717
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(720,207)	(701,701)	18,506
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	476,223	<u>\$ 476,223</u>
Fund balance - beginning			<u>606,572</u>	
Fund balance - ending			<u>\$ 1,082,795</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 –
BUDGET AND ACTUAL – GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL PURPOSE SCHOOL FUND				
REVENUES				
Intergovernmental - mixed drink tax	\$ -	\$ -	\$ 2,455	\$ 2,455
Total revenues	<u>-</u>	<u>-</u>	<u>2,455</u>	<u>2,455</u>
EXPENDITURES				
Education				
Board of Education	-	56,528	113,650	(57,122)
Director of Schools	-	362,179	436,753	(74,574)
Regular Capital Outlay	-	301,500	149,419	152,081
Total expenditures	<u>-</u>	<u>720,207</u>	<u>699,822</u>	<u>20,385</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(720,207)	(697,367)	(17,930)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	720,207	701,701	(18,506)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,334	<u>\$ (36,436)</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 4,334</u>	

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2014

ASSETS	Water Fund	Sewer Fund	Total Proprietary Funds
Current assets:			
Cash and cash equivalents	\$ 560,347	\$ 4,768,790	\$ 5,329,137
Receivables			
Customers	243,991	191,616	435,607
Other	791	-	791
Less allowance for doubtful accounts	(92,746)	(70,575)	(163,321)
Prepaid expenses	25,017	25,918	50,935
Due from other funds	8,301	-	8,301
Due from other governments	1,233	77,442	78,675
Total current assets	<u>746,934</u>	<u>4,993,191</u>	<u>5,740,125</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	5,740	1,404,547	1,410,287
Less accumulated depreciation	(5,547,870)	(10,655,603)	(16,203,473)
Total capital assets	<u>6,519,665</u>	<u>9,034,165</u>	<u>15,553,830</u>
Total noncurrent assets	<u>6,520,000</u>	<u>9,034,360</u>	<u>15,554,360</u>
Total assets	<u>7,266,934</u>	<u>14,027,551</u>	<u>21,294,485</u>
LIABILITIES			
Current liabilities:			
Accounts payable	6,851	1,131,026	1,137,877
Accrued expenses	91,480	118,358	209,838
Due to other funds	713	9,418	10,131
Customer deposits	335	195	530
Total current liabilities	<u>99,379</u>	<u>1,258,997</u>	<u>1,358,376</u>
Noncurrent liabilities			
Net post employment benefit obligations	316,747	441,069	757,816
State revolving fund loan	-	453,740	453,740
Total noncurrent liabilities	<u>316,747</u>	<u>894,809</u>	<u>1,211,556</u>
Total liabilities	<u>416,126</u>	<u>2,153,806</u>	<u>2,569,932</u>
NET POSITION			
Net investment in capital assets	6,519,665	9,034,165	15,553,830
Unrestricted	331,143	2,839,580	3,170,723
Total net position	<u>\$ 6,850,808</u>	<u>\$ 11,873,745</u>	<u>\$ 18,724,553</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, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 1,167,883	\$ -	\$ 1,167,883
Sewer service fee	-	1,881,528	1,881,528
Service connection fees	36,915	9,867	46,782
Forfeited discounts	27,288	25,368	52,656
Federal grants	1,233	-	1,233
Other	1,431	6,262	7,693
Total operating revenues	<u>1,234,750</u>	<u>1,923,025</u>	<u>3,157,775</u>
Operating expenses:			
Administrative and general	65,518	81,196	146,714
Pumping and filtering	530,768	642,733	1,173,501
Distribution system	261,226	176,960	438,186
Depreciation	283,113	411,028	694,141
Total operating expenses	<u>1,140,625</u>	<u>1,311,917</u>	<u>2,452,542</u>
Operating income (loss)	94,125	611,108	705,233
Nonoperating revenues (expenses):			
Interest income	286	2,036	2,322
Interest expense	-	(6,169)	(6,169)
Total non-operating revenues (expenses)	<u>286</u>	<u>(4,133)</u>	<u>(3,847)</u>
Income (loss) before contributions	94,411	606,975	701,386
Capital contributions - tap fees	5,050	1,500	6,550
Capital contributions - development fees	4,614	4,639	9,253
Transfer in	2,290,243	-	2,290,243
Total capital contributions	<u>2,299,907</u>	<u>6,139</u>	<u>2,306,046</u>
Change in net position	2,394,318	613,114	3,007,432
Net position - beginning	<u>4,456,490</u>	<u>11,260,631</u>	<u>15,717,121</u>
Net position - ending	<u>\$ 6,850,808</u>	<u>\$ 11,873,745</u>	<u>\$ 18,724,553</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, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,241,871	\$ 1,908,233	\$ 3,150,104
Payments to suppliers	(312,695)	743,392	430,697
Payments to employees	(477,658)	(400,958)	(878,616)
Other receipts	<u>2,664</u>	<u>6,262</u>	<u>8,926</u>
Net cash provided by operating activities	454,182	2,256,929	2,711,111
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to (from) other funds	(17,543)	25,053	7,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	88,714	88,714
Capital contributions	9,664	6,139	15,803
Acquisition and construction of capital assets	(410)	(1,271,847)	(1,272,257)
Interest paid on capital debt	<u>-</u>	<u>(6,169)</u>	<u>(6,169)</u>
Net cash used by capital and related financing activities	9,254	(1,183,163)	(1,173,909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>286</u>	<u>2,036</u>	<u>2,322</u>
Net increase (decrease) in cash and cash equivalents	446,179	1,100,855	1,547,034
Cash and cash equivalents - beginning of the year	<u>114,168</u>	<u>3,667,935</u>	<u>3,782,103</u>
Cash and cash equivalents - end of the year	<u>\$ 560,347</u>	<u>\$ 4,768,790</u>	<u>\$ 5,329,137</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 94,125	\$ 611,108	\$ 705,233
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	283,113	411,028	694,141
Change in assets and liabilities			
Receivables			
Customers	11,620	8,618	20,238
Other	(602)	-	(602)
Prepaid expenses	4,017	(1,120)	2,897
Due from other governments	(1,233)	(17,148)	(18,381)
Accounts payable	5,621	1,121,380	1,127,001
Accrued expenses	6,342	62,666	69,008
Net post employment benefit obligations	<u>51,179</u>	<u>60,397</u>	<u>111,576</u>
Net cash provided by operating activities	<u>\$ 454,182</u>	<u>\$ 2,256,929</u>	<u>\$ 2,711,111</u>

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

CITY OF MILLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 2014. 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.

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 City Sales Tax Fund accounts for the receipts and expenditures of the City's sales tax.

The General Purpose School Fund accounts for the receipts and expenditures of the City's public school system.

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.

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

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

- Nonspendable – amounts that cannot be spent because they are either in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained to be used for a specific purpose per external parties, constitutional provisions, or enabling legislation.
- Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Mayor and Board of 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 – amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee, such as the Mayor or a committee, authorized by the Board of Mayor and Aldermen for a specific purpose in accordance with the policy established by the Board of Mayor and Aldermen. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
- Unassigned – amounts available for any purpose in the General Fund.

E. Assets, liabilities and fund equity

1. Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All certificates of deposit are considered 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. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

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, governmental fund types recognize note issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund balance

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

10. Fund balance committed for General Fund

The Board of Mayor and Aldermen established a financial stabilization account, an emergency account, and a library construction 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 library construction account is established as 50% of collections from the red light camera/speed van violations. The balances of these accounts at June 30, 2014 are \$3,275,660, \$1,000,000, and \$237,785, 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 difference are as follows:

Governmental funds capital assets	\$ 93,917,066
Less: accumulated depreciation	<u>(7,694,248)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental funds	<u>\$ 86,222,818</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 difference are as follows:

Notes payable	\$ (9,249,824)
Compensated absences	(407,529)
Net post employment benefit obligation	<u>(4,785,828)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (14,443,181)</u>

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

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 difference are as follows:

Capital grant and contributions	\$ 45,956,600
Capital outlay	1,686,372
Net effect of various fixed asset sales and trade-ins	(815,000)
Depreciation expense	(663,379)
Loss on disposal of capital assets	<u>(9,000)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 46,155,593</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 difference are as follows:

Principal repayment on bonds payable	\$ 513,420
Write off of Millington library exchange	671,261
Issuance of notes payable	(2,340,479)
Compensated absences	(5,424)
Increase in net post employment benefit obligation	<u>(624,387)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,785,609)</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 1st. 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, 2014, 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.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City’s carrying amount of deposits was \$14,206,631 and the bank balance was \$14,385,060. Of the bank balance, \$501,750 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$13,883,310 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	\$ 2,929,238	\$ -	\$ -	\$ -	\$ 2,929,238
City taxes and fees	61,742	-	-	-	61,742
Accounts receivable	-	243,991	191,616	256,199	691,806
Other	32,424	791	-	-	33,215
Gross receivables	<u>3,023,404</u>	<u>244,782</u>	<u>191,616</u>	<u>256,199</u>	<u>3,716,001</u>
Less: allowance for doubtful accounts	<u>(219,125)</u>	<u>(92,746)</u>	<u>(70,575)</u>	<u>(104,028)</u>	<u>(486,474)</u>
Net total receivables	<u><u>\$ 2,804,279</u></u>	<u><u>\$ 152,036</u></u>	<u><u>\$ 121,041</u></u>	<u><u>\$ 152,171</u></u>	<u><u>\$ 3,229,527</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 \$12,628.

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 \$2,654,291 for property taxes receivable and \$525,162 grants was reported in governmental funds.

Unavailable revenues included in property taxes receivable result primarily from the pro-rata share of 2014 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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,245,989	\$ 815,000	\$ -	\$ 6,060,989
Construction in progress	28,285,442	323,960	(28,415,645)	193,757
Total capital assets, not being depreciated	<u>33,531,431</u>	<u>1,138,960</u>	<u>(28,415,645)</u>	<u>6,254,746</u>
Capital assets, being depreciated:				
Buildings and improvements	8,797,300	44,909,000	-	53,706,300
Infrastructure	-	28,415,645	-	28,415,645
Furnishings and equipment	1,117,039	232,600	-	1,349,639
Vehicles	4,028,689	547,412	(385,364)	4,190,737
Total capital assets, being depreciated	<u>13,943,028</u>	<u>74,104,657</u>	<u>(385,364)</u>	<u>87,662,321</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,877,054)	(277,718)	-	(4,154,772)
Furnishings and equipment	(811,622)	(59,963)	-	(871,585)
Vehicles	(2,718,558)	(325,698)	376,364	(2,667,892)
Total accumulated depreciation	<u>(7,407,234)</u>	<u>(663,379)</u>	<u>376,364</u>	<u>(7,694,249)</u>
Total capital assets, being depreciated, net	<u>6,535,794</u>	<u>73,441,278</u>	<u>(9,000)</u>	<u>79,968,072</u>
Governmental activities capital assets, net	<u>\$ 40,067,225</u>	<u>\$ 74,580,238</u>	<u>\$ (28,424,645)</u>	<u>\$ 86,222,818</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	138,030	1,272,257	-	1,410,287
Total capital assets, not being depreciated	<u>864,979</u>	<u>1,272,257</u>	<u>-</u>	<u>2,137,236</u>
Capital assets, being depreciated:				
Buildings and improvements	25,056,928	-	-	25,056,928
Furnishings and equipment	3,898,046	-	-	3,898,046
Vehicles	665,093	-	-	665,093
Total capital assets, being depreciated	<u>29,620,067</u>	<u>-</u>	<u>-</u>	<u>29,620,067</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,722,562)	(589,496)	-	(12,312,058)
Furnishings and equipment	(3,384,397)	(71,834)	-	(3,456,231)
Vehicles	(402,373)	(32,811)	-	(435,184)
Total accumulated depreciation	<u>(15,509,332)</u>	<u>(694,141)</u>	<u>-</u>	<u>(16,203,473)</u>
Total capital assets, being depreciated, net	<u>14,110,735</u>	<u>(694,141)</u>	<u>-</u>	<u>13,416,594</u>
Business-type activity capital assets, net	<u>\$ 14,975,714</u>	<u>\$ 578,116</u>	<u>\$ -</u>	<u>\$ 15,553,830</u>

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

Governmental Activities:	
General government	\$ 38,292
Public safety	266,094
Community services	116,834
Transportation and environment	242,159
Total depreciation expense - governmental activities	<u>\$ 663,379</u>
Business-Type Activities:	
Water	\$ 283,113
Sewer	411,028
Total depreciation expense - business-type activities	<u>\$ 694,141</u>

Shelby County Board of Education donated school assets totaling \$815,000 in land, \$44,909,000 in buildings and improvements, and \$232,600 in furnishings and equipment to the City's Municipal School System during the year. The assets were valued at fair market value and were capitalized.

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. During the fiscal year 2014, 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, 2014, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. 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, 2014, is as follows:

Due to:	Due from:				
	General Fund	Water Fund	Sewer Fund	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 713	\$ 1,117	\$ 7,167	\$ 8,997
Capital improvements fund	43,585	-	-	-	43,585
Water fund	-	-	8,301	-	8,301
Sewer fund	-	-	-	-	-
Nonmajor governmental funds	2,062	-	-	-	2,062
	<u>\$ 45,647</u>	<u>\$ 713</u>	<u>\$ 9,418</u>	<u>\$ 7,167</u>	<u>\$ 62,945</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, 2014, are as follows:

Transfer out:	Transfer in:				
	Capital Improvements Fund	General Purpose School Fund	Water Fund	Nonmajor Governmental Funds	Total
General fund	\$ 225,064	\$ -	\$ -	\$ 933,532	\$ 1,158,596
Capital improvements fund	-	-	2,290,243	-	2,290,243
City sales tax fund	-	701,701	-	-	701,701
Nonmajor governmental funds	5,775	-	-	-	5,775
	<u>\$ 230,839</u>	<u>\$ 701,701</u>	<u>\$ 2,290,243</u>	<u>\$ 933,532</u>	<u>\$ 4,156,315</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 2014 was 0.63%.

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 had 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. During the fiscal year 2014, 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, 2014, the balance outstanding was \$453,740 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.

Settlement liability

On January 10, 2014, the City entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The City agreed to make 12 annual payments of \$230,219 by November 1 of each year commencing on November 1, 2014. If the payments are not received by November 1 of each year, the building and property described in Note 4 Part C will revert back to the Shelby County Board of Education. The City elected to establish a liability incurred through the settlement agreement at its present value with a discount rate of 2.89%. At June 30, 2014, the net present value outstanding was \$2,762,628.

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 7,422,765	\$ -	\$ (513,420)	\$ 6,909,345	\$ 470,345
Shelby County Board of Education settlement liability	-	2,762,628	-	2,762,628	230,219
Less deferred amounts: For issuance discount	-	(422,149)	-	(422,149)	-
Net post employment benefit obligation	4,094,732	624,387	-	4,719,119	-
Millington library exchange liability	671,261	-	(671,261)	-	-
Compensated absences	402,105	5,424	-	407,529	-
Total long-term liabilities	<u>\$ 12,590,863</u>	<u>\$ 2,970,290</u>	<u>\$ (1,184,681)</u>	<u>\$ 14,376,472</u>	<u>\$ 700,564</u>
Business-type activities:					
Notes payable - construction	\$ 365,026	\$ 88,714	\$ -	\$ 453,740	\$ -
Net post employment benefit obligation	646,240	111,576	-	757,816	-
Compensated absences	90,869	3,032	-	93,901	-
	<u>\$ 1,102,135</u>	<u>\$ 203,322</u>	<u>\$ -</u>	<u>\$ 1,305,457</u>	<u>\$ -</u>

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

Years Ending June 30	Government Activities	
	Principal	Interest
2015	\$ 470,345	\$ 216,676
2016	334,000	207,205
2017	346,000	195,938
2018	358,000	184,252
2019	369,000	172,158
2020-2024	1,518,000	690,481
2025-2029	1,392,000	476,089
2030-2034	1,553,000	241,211
2035-2036	569,000	28,228
	<u>\$ 6,909,345</u>	<u>\$ 2,412,238</u>

F. Fund Balances By Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	City Sales Tax Fund	General Purpose School Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:						
Inventory	\$ 50,469	\$ -	\$ -	\$ -	\$ -	\$ 50,469
Prepaid expenses	188,052	-	-	-	21,118	209,170
Total nonspendable	238,521	-	-	-	21,118	259,639
Restricted for:						
Capital improvements	-	-	-	-	13,782	13,782
Drug enforcement	-	-	-	-	219,507	219,507
Total restricted	-	-	-	-	233,289	233,289
Committed to:						
Financial stabilization	3,275,660	-	-	-	-	3,275,660
Emergency	1,000,000	-	-	-	-	1,000,000
Library construction	237,785	-	-	-	-	237,785
Education & libraries	-	1,082,795	4,334	-	-	1,087,129
Drainage control	-	-	-	-	263,319	263,319
Total committed	4,513,445	1,082,795	4,334	-	263,319	5,863,893
Assigned to:						
Debt service	-	-	-	-	343	343
Capital improvements	-	-	-	494,337	-	494,337
Total assigned	-	-	-	494,337	343	494,680
Unassigned	2,560,532	-	-	-	160,685	2,721,217
Total fund balances	\$ 7,312,498	\$ 1,082,795	\$ 4,334	\$ 494,337	\$ 678,754	\$ 9,572,718

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, 15th 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, 2014 was 8.06% 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, 2014, Millington's annual pension cost of \$511,544 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, 2014	\$ 511,544	100%	\$ -
June 30, 2013	\$ 551,312	100%	\$ -
June 30, 2012	\$ 814,888	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 99.15% funded. The actuarial accrued liability for benefits was \$20.804 million, and the actuarial value of assets was \$20.62

million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.18 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.35 million, and the ratio of the UAAL to the covered payroll was 2.79%.

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, 2013	\$ 20,621,000	\$ 20,798,000	\$ 177,000	99.15%	\$ 6,347,000	2.79%
July 1, 2011	\$ 18,706,000	\$ 18,736,000	\$ 29,000	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%

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 \$114,914 for the year ended June 30, 2014.

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 incurred \$15,000 in excess of commercial insurance coverage for the year ended June 30, 2014.

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 5 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 2014, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$153,855 for 2014. 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	\$ 964,368
Interest on net OPEB obligation	189,639
Adjustment to annual required contribution	<u>(268,848)</u>
Annual OPEB cost	885,159
Contributions or payments made	<u>(149,196)</u>
Increase in net OPEB obligation	735,963
Net OPEB obligation, beginning of year	<u>4,740,972</u>
Net OPEB obligation, end of year	<u><u>\$ 5,476,935</u></u>
Percentage of expense contributed	<u><u>16.86%</u></u>

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, 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, 2013	\$ -	\$ 8,853,382	\$ 8,853,382	0.00%	\$ 5,658,639	156.46%
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, 2013, 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 – SUBSEQUENT EVENT

On July 14, 2014, the Board of Mayor and Aldermen authorized the issuance of \$1,900,000 in revenue and tax anticipation notes for the purpose of meeting appropriations made for the Millington Board of Education.

SUPPLEMENTARY INFORMATION

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 2,790,992	\$ 2,790,992	\$ 2,903,288	\$ 112,296
Beer tax	450,000	450,000	376,764	(73,236)
Business tax	1,450	1,450	185	(1,265)
Local sales tax	3,200,000	3,200,000	3,147,767	(52,233)
Hotel/Motel tax	115,000	115,000	144,342	29,342
Interest and penalties	35,000	35,000	40,517	5,517
CATV franchise tax	28,200	28,200	30,406	2,206
Total taxes	6,620,642	6,620,642	6,643,269	22,627
LICENSES AND PERMITS				
Automobile stickers	176,000	176,000	193,831	17,831
Building and related permits	38,880	38,880	47,045	8,165
Planning and subdivision fees	2,000	2,000	2,225	225
Beer application and solicitors	2,370	2,370	2,255	(115)
Liquor inspection fee	65,000	65,000	92,394	27,394
Total licenses and permits	284,250	284,250	337,750	53,500
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Business tax	312,000	312,000	323,267	11,267
Sales tax	700,000	700,000	745,962	45,962
Beer tax	5,000	5,000	4,874	(126)
Income tax	2,500	2,500	38,356	35,856
Excise tax	14,000	14,000	10,533	(3,467)
Mixed drink tax	30,000	30,000	29,443	(557)
Telecommunications sales tax	700	700	1,049	349
TVA In-Lieu of Tax	116,000	116,000	115,526	(474)
Receipts in lieu of tax - MHA	18,860	18,860	21,315	2,455
Receipts in lieu of tax - MLGW	99,000	99,000	127,887	28,887
Beer privilege tax	3,695	3,695	3,442	(253)
Fire and ambulance fees	909,000	909,000	953,172	44,172
Shelby County - "911"	-	-	-	-
U.S. Department of Justice DEA overtime	10,000	10,000	10,835	835
Total intergovernmental	2,220,755	2,220,755	2,385,661	164,906

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority	387,229	387,229	387,229	-
Recreation	380,200	380,200	375,109	(5,091)
Total charges for services	<u>767,429</u>	<u>767,429</u>	<u>762,338</u>	<u>(5,091)</u>
FINES FORFEITURES AND PENALTIES	<u>722,700</u>	<u>722,700</u>	<u>559,528</u>	<u>(163,172)</u>
FEDERAL, STATE AND LOCAL GRANTS	<u>78,177</u>	<u>237,684</u>	<u>197,536</u>	<u>(40,148)</u>
INTEREST ON INVESTMENTS	<u>2,000</u>	<u>2,000</u>	<u>4,361</u>	<u>2,361</u>
OTHER REVENUE				
Planned use of prior year funds	-	165,000	-	(165,000)
Miscellaneous	70,325	75,204	120,983	45,779
Total other revenue	<u>70,325</u>	<u>240,204</u>	<u>120,983</u>	<u>(119,221)</u>
TOTAL GENERAL FUND REVENUES	<u>\$ 10,766,278</u>	<u>\$ 11,095,664</u>	<u>\$ 11,011,426</u>	<u>\$ (84,238)</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General Government				
Salaries	\$ 405,624	\$ 453,382	\$ 453,350	\$ 32
Overtime	1,000	784	172	612
Part time	17,000	216	215	1
Vacation pay at retirement	-	2,052	2,051	1
Reimbursement for billing by City Hall	(142,321)	(142,321)	(142,321)	-
Health insurance	26,674	25,674	25,557	117
Life insurance	2,030	2,030	1,975	55
FICA	26,265	28,612	28,612	-
Medicare	6,143	6,692	6,692	-
Retirement	32,774	32,941	32,941	-
Workers compensation insurance	1,828	139,629	129,388	10,241
Unemployment compensation	3,500	(277)	(277)	-
Medical testing	2,000	10,381	10,380	1
Retiree insurance	20,000	139,685	139,684	1
Travel expense (Mayor)	1,000	-	-	-
Travel and training	12,000	28,512	28,512	-
City Beautiful	2,500	2,500	1,088	1,412
Anchor account	-	1,280	550	730
Special census	10,000	2,152	1,029	1,123
Chamber of Commerce	18,000	18,000	18,000	-
Publications and flags	2,300	2,300	1,445	855
Memberships and dues	6,500	4,200	4,123	77
Public relations	3,525	3,525	3,223	302
Advertising	3,000	3,000	2,081	919
Tax collection expense	100,000	114,915	114,914	1
Utilities	28,000	25,000	24,816	184
Telephone	25,897	13,897	13,712	185
Legal and professional	105,000	92,999	92,834	165
Audit	26,470	26,471	26,471	-
Repairs and maintenance - equipment	1,500	1,500	267	1,233
Repairs and maintenance - vehicle	1,000	1,000	61	939
Building maintenance	28,000	4,100	4,055	45
Maintenance agreement	11,027	11,027	10,053	974
Fuel billed by public works	2,600	2,600	1,566	1,034
Repairs by public works shop	200	200	106	94
Operational supplies	18,000	10,067	9,380	687
Gas and oil	100	100	-	100
Expendable furnishings and equipment	8,000	2,000	1,342	658
Grant to Kiwanis Club	-	4,000	4,000	-
Claims Paid Direct	-	20,000	20,000	-
Building insurance	2,700	38,421	38,420	1
Liability insurance	3,193	62,171	62,170	1

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government (continued)				
Errors and omissions insurance	2,273	16,205	16,205	-
Auto liability insurance	306	40,452	40,451	1
Miscellaneous	5,000	-	-	-
Total general government	830,608	1,252,074	1,229,293	22,781
Courts				
Salaries	146,478	131,878	131,803	75
Overtime	-	190	190	-
Part time staff	2,600	3,848	3,847	1
Part time staff - prosecutor	16,000	16,000	15,996	4
Part time staff - temporary judge	2,400	-	-	-
Vacation pay at retirement	-	257	256	1
Health insurance	13,337	11,637	11,583	54
Life insurance	617	617	451	166
FICA	9,243	7,043	6,984	59
Medicare	2,162	2,162	1,633	529
Retirement	11,806	10,706	10,639	67
Workers compensation insurance	399	-	-	-
Unemployment compensation	-	31	30	1
Medical testing	200	-	-	-
Training and travel	2,500	2,500	2,174	326
Publications	200	200	80	120
Memberships	100	100	25	75
Utilities	3,500	3,777	3,777	-
Telephone expense	6,000	6,000	5,290	710
Contract labor	4,000	2,000	1,400	600
Repairs and maintenance - equipment	500	500	105	395
Building maintenance	3,200	2,000	1,331	669
Maintenance agreement	11,550	12,599	12,599	-
Operational supplies	5,000	5,000	3,886	1,114
Expendable furnishings and equipment	2,000	3,500	2,234	1,266
Building insurance	1,362	-	-	-
General liability insurance	360	-	-	-
Errors and omissions insurance	256	-	-	-
Total courts	245,770	222,545	216,313	6,232

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Codes & Economic Development				
Salaries	215,408	181,408	181,217	191
Overtime	500	500	83	417
Part time staff	20,000	17,700	17,659	41
Reimbursement for services by City engineer	(72,497)	(72,497)	(72,497)	-
Health insurance	8,966	8,966	8,560	406
Life insurance	1,007	1,007	970	37
FICA	14,626	12,126	12,061	65
Medicare	3,421	3,421	2,821	600
Retirement	17,402	14,702	14,613	89
Workers compensation insurance	4,269	-	-	-
Unemployment compensation	-	855	855	-
Medical testing	500	-	-	-
Retiree insurances	6,000	-	-	-
Training and travel	3,000	3,000	2,726	274
Postage/printing	100	100	-	100
Planning study	25,000	10,263	10,263	-
Publications	4,000	4,000	2,306	1,694
Memberships and dues	500	500	473	27
Advertising	750	750	693	57
Phone expense	8,500	8,500	8,449	51
Legal and professional	25,000	8,024	5,715	2,309
Engineering	10,000	5,000	175	4,825
Subdivision review	1,500	1,500	105	1,395
Contract labor	5,000	9,687	9,687	-
Subdivision inspection	1,500	1,500	-	1,500
Repairs and maintenance - equipment	1,000	1,000	-	1,000
Repairs and maintenance - vehicle	1,000	1,000	-	1,000
Building maintenance	7,500	7,500	480	7,020
Maintenance agreement	10,000	12,790	12,789	1
Fuel billed by public works	5,000	5,000	4,640	360
Repairs by public works shop	5,000	5,000	124	4,876
Mapping and recording fees	400	400	187	213
Operational supplies	4,500	4,500	4,105	395
Uniforms	2,700	2,700	2,060	640
Gas and oil	150	150	-	150
Expendable furnishings and equipment	4,500	2,950	2,556	394
Building insurance	1,378	-	-	-
General liability insurance	586	-	-	-
Errors and omissions insurance	417	-	-	-
Auto liability insurance	782	-	-	-
Computer hardware and software	5,000	-	-	-
Total codes & economic development	354,365	264,002	233,875	30,127

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Personnel				
Salaries	84,611	87,753	87,752	1
Vacation pay at retirement	-	587	587	-
Life insurance	473	473	420	53
FICA	5,246	5,246	5,142	104
Medicare	1,227	1,227	1,202	25
Retirement	6,820	6,400	5,927	473
Workers compensation insurance	360	-	-	-
Medical testing	490	-	-	-
Retirees insurance	9,500	-	-	-
Training and travel	1,500	1,497	752	745
Memberships	500	500	-	500
Public relations	2,000	2,003	2,003	-
Telephone	3,500	3,500	3,241	259
Repairs and maintenance - equipment	200	200	-	200
Building maintenance	100	160	160	-
Maintenance agreement	8,000	8,000	3,577	4,423
Operational supplies	2,500	2,500	1,162	1,338
Expendable furnishings and equipment	500	440	280	160
General liability insurance	210	-	-	-
Errors and omissions insurance	150	-	-	-
Total personnel	127,887	120,486	112,205	8,281
Total general government	1,558,630	1,859,107	1,791,686	67,421
PUBLIC SAFETY				
Police Department				
Salaries	1,636,400	1,593,898	1,563,984	29,914
Overtime	70,681	99,225	99,133	92
Part time - speed van	15,000	10,000	8,445	1,555
Part time - dispatchers	-	5,295	5,295	-
School crossing guards	45,320	45,320	42,582	2,738
Holiday Pay	55,000	51,462	45,060	6,402
Vacation pay at retirement	-	12,899	12,898	1
Police supplement pay	-	29	29	-
Health insurance	200,503	200,503	189,287	11,216
Life insurance	9,131	9,017	7,867	1,150
FICA	112,989	112,579	103,313	9,266
Medicare	26,425	26,329	24,162	2,167
Retirement	142,024	141,713	137,869	3,844
Workers compensation insurance	55,366	-	-	-

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Police Department (continued)				
Unemployment compensation	-	135	135	-
Medical testing	9,000	-	-	-
Retiree insurance	19,000	-	-	-
Training and travel	19,000	19,000	18,740	260
Membership	500	500	350	150
Advertising	300	300	42	258
Utilities	13,600	15,666	15,665	1
Telephone	47,000	47,000	30,263	16,737
Repairs and maintenance - equipment	5,000	5,000	2,048	2,952
Repairs and maintenance - vehicle	10,000	10,000	1,145	8,855
Building maintenance	20,000	12,399	11,741	658
Maintenance agreement	90,268	75,895	52,242	23,653
Fuel billed by public works	105,000	100,400	97,929	2,471
Repairs by public works shop	20,000	20,000	19,621	379
Operational supplies	17,500	17,500	16,835	665
Equipment purchases	30,000	30,000	14,808	15,192
Jail expense	14,956	14,956	11,353	3,603
Dog expense	700	1,522	1,521	1
Uniforms	20,000	20,000	18,389	1,611
Ammunition	15,000	15,000	14,080	920
Police supplies	2,500	2,440	1,321	1,119
Gas and oil	100	160	159	1
Expendable furnishings and equipment	4,000	4,000	486	3,514
Vehicle towing	2,000	2,000	1,705	295
TBI - sex offender fee	100	100	-	100
Building insurance	5,449	-	-	-
General liability insurance	31,256	-	-	-
Errors and omissions insurance	3,184	-	-	-
Auto liability insurance	19,339	-	-	-
Auto purchases	32,500	109,976	103,805	6,171
Total police department	2,926,091	2,832,218	2,674,307	157,911
Fire Department				
Salaries	1,511,909	1,470,340	1,448,731	21,609
Salaries - value added	9,360	9,360	8,920	440
Overtime	143,165	175,221	175,221	-
Part time	50,000	51,221	51,220	1
Holiday pay	52,498	52,498	46,391	6,107
Vacation pay at retirement	-	6,211	6,210	1
Fire supplement pay	-	17,400	17,400	-
Health insurance	263,489	263,489	262,270	1,219
Life insurance	8,429	8,429	7,724	705

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fire Department (continued)				
FICA	109,550	109,550	97,988	11,562
Medicare	25,621	25,621	22,917	2,704
Retirement	138,385	136,852	136,851	1
Workers compensation insurance	42,793	-	-	-
Unemployment compensation	7,150	7,150	1,779	5,371
Medical testing	4,500	-	-	-
Retiree insurance	31,700	-	-	-
Training and travel	17,000	18,065	17,950	115
Volunteer expense	1,500	500	406	94
Ambulance service	299,504	299,504	298,562	942
Dispatch service	181,300	181,302	181,301	1
Office supplies	2,500	2,500	2,147	353
Membership	1,600	1,600	1,545	55
Utilities	50,500	49,450	48,930	520
Telephone	19,500	18,281	14,829	3,452
Repairs and maintenance - equipment	23,000	19,500	18,245	1,255
Repairs and maintenance - vehicle	25,000	35,703	35,202	501
Building maintenance	28,000	23,571	22,298	1,273
Maintenance agreement	9,500	12,129	10,899	1,230
Fire prevention	2,500	2,500	1,960	540
Tires	7,000	9,500	9,421	79
Fuel billed by public works	40,000	40,000	32,512	7,488
Repairs by public works shop	4,000	4,000	2,260	1,740
Operational supplies	10,605	9,613	9,613	-
Safety equipment	12,000	15,891	15,891	-
Medical supplies	5,000	5,000	4,579	421
Fire hose	5,000	5,000	4,467	533
Uniforms	15,000	17,100	15,855	1,245
Gas and oil	150	150	-	150
Expendable furnishings and equipment	20,000	9,300	6,513	2,787
Building insurance	2,913	-	-	-
General liability insurance	12,486	-	-	-
Errors and omissions insurance	3,305	-	-	-
Auto liability insurance	9,863	-	-	-
Total fire department	3,207,275	3,113,501	3,039,007	74,494
Total public safety	6,133,366	5,945,719	5,713,314	232,405

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Library				
Utilities	600	600	359	241
Contracts	308,036	308,036	304,113	3,923
Building maintenance	4,000	8,900	7,783	1,117
Janitor supplies	4,400	4,400	2,090	2,310
Building insurance	4,927	-	-	-
Liability insurance	420	-	-	-
Total library	322,383	321,936	314,345	7,591
Arts, Recreation, & Parks				
Salaries	241,653	216,681	205,769	10,912
Field supervisors	4,750	4,750	738	4,012
Umpires/officials	19,000	19,000	10,010	8,990
Scorekeepers/press box/gate	12,200	6,200	3,393	2,807
Overtime	-	538	538	-
Sports instructor	1,000	1,000	300	700
Part time labor/staff	83,300	120,919	93,586	27,333
Part time concessions	11,000	-	-	-
Part time staff field maintenance	22,000	-	-	-
Vacation pay at retirement	-	4,264	4,264	-
Health insurance	49,201	37,476	28,086	9,390
Life insurance	1,345	1,180	1,092	88
FICA	24,485	22,906	18,547	4,359
Medicare	5,727	5,445	4,337	1,108
Retirement	19,477	17,225	16,628	597
Workers compensation insurance	4,430	-	-	-
Unemployment compensation	7,150	7,709	7,707	2
Medical testing	750	-	-	-
Retirees insurance	26,472	-	-	-
Travel and training	4,500	5,166	3,413	1,753
Trophies	2,050	2,693	2,486	207
Umpires	20,000	26,500	26,430	70
Printing publications	500	500	-	500
Publications	100	100	90	10

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Arts, Recreation, & Parks (continued)				
Memberships	1,400	1,400	650	750
Advertising	5,000	4,938	1,482	3,456
Utilities - electric	131,357	127,420	117,918	9,502
Utilities - water	20,000	17,300	17,299	1
Utilities - sewer	6,000	17,400	17,388	12
Telephone expense	14,000	16,746	16,273	473
Contract labor - goat days	1,500	1,500	800	700
Legal and professional	-	45,000	38,250	6,750
Repairs and maintenance - equipment	5,500	6,000	4,768	1,232
Repairs and maintenance - vehicle	1,000	1,000	-	1,000
Building maintenance	36,012	35,382	34,593	789
Maintenance agreements	9,500	9,500	5,175	4,325
Halloween	750	-	-	-
Annual Parade	500	-	-	-
Other special events	4,000	-	-	-
Senior citizens	9,500	-	-	-
Fuel billed by public works	6,400	8,355	6,313	2,042
Repairs by public works shop	3,000	3,000	1,014	1,986
Operational supplies	31,250	25,626	17,515	8,111
Concessions	15,000	15,141	13,830	1,311
Rugby field expenses	250	250	-	250
Equipment rentals - goat days	4,000	3,000	2,390	610
Uniforms	10,500	10,500	7,047	3,453
Program materials and supplies	7,900	26,855	25,289	1,566
Gas and oil	150	150	-	150
Expendable furnishings and equipment	15,300	18,699	15,237	3,462
Entertainment - goat days	7,500	5,550	5,549	1
Hospitality room - goat days	250	250	86	164
Grounds maintenance	16,000	16,000	15,892	108
Supplies - gift shop	10,500	10,500	7,320	3,180
SVC - Doyle baseball	1,500	80	80	-
Lease agreements	4,000	4,000	4,000	-
Building insurance	20,232	-	-	-
Liability insurance	5,450	-	-	-
Errors and omissions insurance	1,015	-	-	-
Auto liability insurance	2,350	-	-	-
Total arts & recreation	969,656	931,794	803,572	128,222
Total community services	1,292,039	1,253,730	1,117,917	135,813

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC WORKS				
Salaries	281,752	536,524	519,667	16,857
Overtime	-	1,500	506	994
Part time staff	28,000	39,243	39,211	32
Reimbursement for drain cleaning	-	(109,045)	(109,045)	-
Health insurance	44,606	100,448	93,505	6,943
Life insurance	1,570	3,045	2,812	233
FICA	19,205	33,960	30,889	3,071
Medicare	4,491	7,942	7,224	718
Retirement	22,710	43,357	41,591	1,766
Workers compensation insurance	15,891	-	-	-
Unemployment compensation	29,751	42,368	21,374	20,994
Medical testing	1,000	-	-	-
Retiree insurance	26,542	-	-	-
Training and travel	2,000	574	282	292
Utilities	37,000	44,806	44,676	130
Telephone	11,800	8,506	7,886	620
Contract labor	-	21,280	21,280	-
Repairs and maintenance - equipment	6,000	5,950	3,441	2,509
Repairs and maintenance - vehicle	4,000	1,200	984	216
Building maintenance	6,000	9,400	9,312	88
Maintenance agreement	3,600	3,664	3,664	-
Fuel billed by public works	(302,250)	(302,250)	(284,480)	(17,770)
Gas purchases	205,916	185,916	166,878	19,038
Diesel purchases	113,334	133,334	127,450	5,884
Inventory purchases	82,750	84,750	83,440	1,310
Repairs by public works shop	(75,550)	(74,728)	(71,575)	(3,153)
Operational supplies	16,000	15,300	13,334	1,966
Equipment purchases	1,500	1,000	759	241
Animal control	1,500	1,500	590	910
Uniforms	5,200	4,200	3,519	681
Gas and oil	3,700	3,879	3,778	101
Shop supplies	5,000	4,000	3,591	409
Expendable furnishings and equipment	2,500	1,000	586	414
Tools	8,000	3,800	3,666	134
Grounds maintenance	10,000	7,500	6,391	1,109
Building insurance	1,168	-	-	-
General liability insurance	3,892	-	-	-
Errors and omissions insurance	915	-	-	-
Auto liability insurance	3,417	-	-	-
Total public works	632,910	863,923	797,186	66,737
TOTAL GENERAL FUND EXPENDITURES	\$ 9,616,945	\$ 9,922,479	\$ 9,420,103	\$ 502,376

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CITY SALES TAX FUND**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CITY SALES TAX REVENUES				
Intergovernmental	\$ 1,600,000	\$ 1,300,000	\$ 1,413,139	\$ 113,139
Interest on investments	-	-	460	460
Total revenues	<u>1,600,000</u>	<u>1,300,000</u>	<u>1,413,599</u>	<u>113,599</u>
EXPENDITURES				
Education				
Advertising	5,000	-	-	-
Election Expense	30,000	87,394	87,393	1
Legal and professional	200,000	148,282	148,282	-
Contingency	1,365,000	344,117	-	344,117
Total expenditures	<u>1,600,000</u>	<u>579,793</u>	<u>235,675</u>	<u>344,118</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	720,207	1,177,924	457,717
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(720,207)	(701,701)	18,506
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	476,223	<u>\$ 476,223</u>
Fund balance - beginning			<u>606,572</u>	
Fund balance - ending			<u>\$ 1,082,795</u>	

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL PURPOSE SCHOOL FUND				
REVENUES				
Intergovernmental - mixed drink tax	\$ -	\$ -	\$ 2,455	\$ 2,455
Total revenues	-	-	2,455	2,455
EXPENDITURES				
Education				
Board of Education				
Board Salaries	-	10,150	10,150	-
Social Security	-	629	629	-
Medicare	-	147	147	-
State Retirement	-	1,045	770	275
Travel & Training	-	10,000	8,262	1,738
Office Supplies	-	2,000	357	1,643
Dues & Memberships	-	7,100	5,100	2,000
Other Contracted Services	-	17,000	55,954	(38,954)
Legal Services	-	7,000	19,554	(12,554)
Liability Insurance	-	1,457	12,727	(11,270)
Total board of education	-	56,528	113,650	(57,122)
Director of Schools				
Director Salary	-	52,500	53,814	(1,314)
Deputies Salary	-	152,637	141,793	10,844
Secretaries Salary	-	18,750	34,746	(15,996)
Health Insurance	-	15,300	2,927	12,373
Life Insurance	-	1,406	307	1,099
Social Security	-	13,881	14,434	(553)
Medicare	-	3,247	3,376	(129)
State Retirement	-	21,915	17,204	4,711
Other Fringe Benefits	-	2,200	-	2,200
Travel & Training	-	4,700	3,841	859
Office Supplies	-	15,600	5,334	10,266
Dues & Memberships	-	3,600	2,820	780
Advertising	-	2,000	1,904	96
Utilities	-	2,400	63,464	(61,064)
Communications	-	5,000	2,829	2,171
Other Contracted Services	-	21,362	77,960	(56,598)
Custodial Supplies	-	500	655	(155)
Building & Content Insurance	-	1,725	-	1,725
Liability Insurance	-	6,000	-	6,000
Lease Payments	-	11,050	9,150	1,900
Administrative Equipment	-	6,406	195	6,211
Total director of schools	-	362,179	436,753	(74,574)

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL PURPOSE SCHOOL FUND (CONTINUED)**

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Regular Capital Outlay				
Architects	-	10,000	-	10,000
Engineering Services	-	11,500	13,000	(1,500)
Other Capital Outlay	-	10,000	-	10,000
Building Improvements	-	75,000	35,756	39,244
Data Processing Equipment	-	55,000	62,223	(7,223)
Attendance Equipment	-	60,000	-	60,000
Communications Equipment	-	20,000	-	20,000
Furniture & Fixtures	-	25,900	21,422	4,478
Office Equipment	-	34,100	17,018	17,082
Total capital outlay	-	301,500	149,419	152,081
Total expenditures	-	720,207	699,822	20,385
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(720,207)	(697,367)	(17,930)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	720,207	701,701	(18,506)
Net change in fund balance	\$ -	\$ -	4,334	\$ (36,436)
Fund balance - beginning			-	
Fund balance - ending			\$ 4,334	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
REVENUES				
Federal Grants				
Veterans Parkway South	\$ -	\$ 829,531	\$ 193,631	\$ (635,900)
Veterans Parkway West	-	-	58,130	58,130
FEMA - TEMA Grants	-	-	67,453	67,453
Fire pumper and equipment	332,500	332,500	332,500	-
Interest on investments	34,000	-	101	101
Other	-	-	61,400	61,400
Planned use of fund balance	256,000	2,280,598	-	(2,280,598)
Total revenues	<u>622,500</u>	<u>3,442,629</u>	<u>713,215</u>	<u>(2,729,414)</u>
EXPENDITURES				
Capital Improvements				
Air packs	15,000	15,000	15,000	-
Veterans Parkway - South	-	679,592	122,201	557,391
Veterans Parkway - West	-	140,293	82,823	57,470
Fire pumper and equipment	400,000	398,696	390,521	8,175
Flood pumps	-	72,000	7,200	64,800
CDBG - newport road inlet	-	51,800	31,730	20,070
CDBG - easly street culvert	-	23,100	8,702	14,398
Old town lighting	-	71,304	71,304	-
Total expenditures	<u>415,000</u>	<u>1,451,785</u>	<u>729,481</u>	<u>722,304</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	207,500	1,990,844	(16,266)	(2,007,110)
OTHER FINANCING SOURCES (USES)				
Transfers in	207,500	239,013	230,839	(8,174)
Transfers out	(165,000)	(2,290,244)	(2,290,243)	1
Total other financing sources (uses)	<u>42,500</u>	<u>(2,051,231)</u>	<u>(2,059,404)</u>	<u>(8,173)</u>
Net change in fund balance	<u>\$ 250,000</u>	<u>\$ (60,387)</u>	<u>(2,075,670)</u>	<u>\$ (2,015,283)</u>
Fund balance - beginning			<u>2,570,007</u>	
Fund balance - ending			<u>\$ 494,337</u>	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue Funds				
	State Street Aid Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund
ASSETS					
Cash and cash equivalents	\$ 43,089	\$ 3,263	\$ 92,165	\$ 154,846	\$ 242,681
Receivables					
Accounts	-	217,126	-	-	39,073
Less allowance	-	(85,667)	-	-	(18,361)
Due from other funds	-	-	2,062	-	-
Due from other governments	54,235	219,933	-	-	15,000
Prepaid items and other assets	-	19,803	-	-	1,315
Total assets	<u>\$ 97,324</u>	<u>\$ 374,458</u>	<u>\$ 94,227</u>	<u>\$ 154,846</u>	<u>\$ 279,708</u>
LIABILITIES					
Accounts payable	\$ 18,676	\$ 22,209	\$ 3,050	\$ 25,951	\$ -
Accrued payroll and vacation	-	23,948	-	-	-
Due to other funds	6,528	-	-	565	74
Total liabilities	<u>25,204</u>	<u>46,157</u>	<u>3,050</u>	<u>26,516</u>	<u>74</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	-	219,933	-	-	15,000
FUND BALANCES					
Nonspendable	-	19,803	-	-	1,315
Restricted	-	-	91,177	128,330	-
Committed	-	-	-	-	263,319
Assigned	-	-	-	-	-
Unassigned	72,120	88,565	-	-	-
Total fund balances	<u>72,120</u>	<u>108,368</u>	<u>91,177</u>	<u>128,330</u>	<u>264,634</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 97,324</u>	<u>\$ 374,458</u>	<u>\$ 94,227</u>	<u>\$ 154,846</u>	<u>\$ 279,708</u>

CON Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 13,782	\$ 473	\$ 550,299
-	-	256,199
-	-	(104,028)
-	-	2,062
-	-	289,168
-	-	21,118
<u>\$ 13,782</u>	<u>\$ 473</u>	<u>\$ 1,014,818</u>
\$ -	\$ 130	\$ 70,016
-	-	23,948
-	-	7,167
<u>-</u>	<u>130</u>	<u>101,131</u>
-	-	234,933
-	-	21,118
13,782	-	233,289
-	-	263,319
-	343	343
-	-	160,685
<u>13,782</u>	<u>343</u>	<u>678,754</u>
<u>\$ 13,782</u>	<u>\$ 473</u>	<u>\$ 1,014,818</u>

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2014

	Special Revenue				
	State Street Aid Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund
REVENUES					
Intergovernmental					
Gasoline & motor fuel tax	\$ 185,191	\$ -	\$ -	\$ -	\$ -
Three cent tax	55,157	-	-	-	-
Gas 1989 tax	29,718	-	-	-	-
Petroleum special tax	21,350	-	-	-	-
Fines and forfeitures	-	-	1,139	74,931	-
Fees for services	-	968,207	-	-	278,128
Interest on investments	31	70	105	192	179
Grants	-	16,066	-	-	2,422
Other revenues	17,340	35,265	8,100	-	5,411
Total revenues	<u>308,787</u>	<u>1,019,608</u>	<u>9,344</u>	<u>75,123</u>	<u>286,140</u>
EXPENDITURES					
Public safety	-	-	12,664	66,681	-
Transportation and environment	320,170	847,900	-	-	343,401
Education	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>320,170</u>	<u>847,900</u>	<u>12,664</u>	<u>66,681</u>	<u>343,401</u>
Excess (deficiency) of revenues over (under) expenditures	(11,383)	171,708	(3,320)	8,442	(57,261)
OTHER FINANCING SOURCES (USES)					
GO Bonds issued	-	-	-	-	-
GO Bond premium	-	-	-	-	-
GO Bond costs	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	83,397	105,077	-	-	-
Transfers out	-	-	-	(5,775)	-
Total other financing sources	<u>83,397</u>	<u>105,077</u>	<u>-</u>	<u>(5,775)</u>	<u>-</u>
Net change in fund balance	72,014	276,785	(3,320)	2,667	(57,261)
Fund balances - beginning	106	(168,417)	94,497	125,663	321,895
Fund balances - ending	<u>\$ 72,120</u>	<u>\$ 108,368</u>	<u>\$ 91,177</u>	<u>\$ 128,330</u>	<u>\$ 264,634</u>

CON Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 185,191
-	-	55,157
-	-	29,718
-	-	21,350
-	-	76,070
-	-	1,246,335
12	15	604
-	-	18,488
-	-	66,116
<u>12</u>	<u>15</u>	<u>1,699,029</u>
-	-	79,345
-	-	1,511,471
-	-	-
10,801	-	10,801
-	513,420	513,420
-	231,647	231,647
<u>10,801</u>	<u>745,067</u>	<u>2,346,684</u>
(10,789)	(745,052)	(647,655)
-	-	-
-	-	-
-	-	-
-	-	-
-	745,058	933,532
-	-	(5,775)
-	<u>745,058</u>	<u>927,757</u>
(10,789)	6	280,102
24,571	337	398,652
<u>\$ 13,782</u>	<u>\$ 343</u>	<u>\$ 678,754</u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
REVENUES				
Intergovernmental				
Gasoline and motor fuel tax	\$ 173,000	\$ 173,000	\$ 185,191	\$ 12,191
Gas three cent tax	50,800	50,800	55,157	4,357
Gas 1989 tax	27,624	27,624	29,718	2,094
Petroleum special tax	20,800	20,800	21,350	550
Interest on investments	12	12	31	19
Other	1,000	1,000	17,340	16,340
Total revenues	<u>273,236</u>	<u>273,236</u>	<u>308,787</u>	<u>35,551</u>
EXPENDITURES				
Street Department				
Salaries	216,899	-	-	-
Overtime	1,500	-	-	-
Part time labor	5,000	-	-	-
Reimbursement for drain cleaning for Storm Water	(109,045)	-	-	-
Health insurance	53,572	-	-	-
Life insurance	1,209	-	-	-
FICA	13,851	-	-	-
Medicare	3,239	-	-	-
Retirement	17,603	-	-	-
Workers compensation insurance	17,194	-	-	-
Unemployment compensation	17,417	-	-	-
Medical testing	1,500	-	-	-
Insurance - retirees	14,500	-	-	-
Travel and training	500	220	219	1
Street lights	230,000	230,000	222,063	7,937
Telephone	2,400	2,400	1,831	569
Audit	1,417	1,417	1,417	-
ROW maintenance	15,000	15,000	28	14,972
Repair and maintenance equipment	15,000	15,000	13,786	1,214
Repair and maintenance vehicle	8,000	3,000	2,182	818
Maintenance agreement	630	930	910	20
Street and traffic light repair	15,000	15,000	12,248	2,752
Street repair and maintenance	5,000	5,000	4,734	266
Sign materials	15,000	12,276	790	11,486
Fuel billed by public works	33,000	33,000	31,913	1,087
Repairs by public works shop	10,000	17,680	17,680	-
Operational supplies	6,000	6,024	6,024	-
Uniforms	4,000	4,000	2,975	1,025
Gas and oil	100	100	-	100

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND (continued)				
Expendable furnishings and equipment	2,000	2,000	1,370	630
Building insurance	518	-	-	-
General liability	1,440	-	-	-
Errors and omissions	711	-	-	-
Auto liability insurance	3,491	-	-	-
Total expenditures	623,646	363,047	320,170	42,877
OTHER FINANCING SOURCES (USES)				
Transfers in	(350,410)	(89,811)	(83,397)	6,414
Net change in fund balance	\$ -	\$ -	72,014	\$ (13,740)
Fund balance - beginning, as previously reported			106	
Fund balance - ending			\$ 72,120	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
REVENUES				
Charges for services				
Commercial fees	\$ 233,200	\$ 233,200	\$ 234,277	\$ 1,077
Residential fees	731,600	750,000	733,930	(16,070)
Federal grants	-	16,066	16,066	-
Interest on investments	100	100	70	(30)
Other	20,500	20,500	35,265	14,765
Total revenues	985,400	1,019,866	1,019,608	(258)
EXPENDITURES				
Solid Water Control				
Salaries	377,984	383,927	380,392	3,535
Overtime	1,000	1,000	-	1,000
Reimbursement for billing by City Hall	35,580	35,580	35,580	-
Health insurance	84,841	84,736	82,559	2,177
Life insurance	2,108	2,237	2,043	194
FICA	23,497	23,497	20,297	3,200
Medicare	5,495	5,495	4,747	748
Retirement	30,546	30,874	30,659	215
Workers compensation insurance	18,361	18,961	18,282	679
Medical testing	1,100	1,105	466	639
Insurance for retirees	5,000	4,554	4,553	1
Travel and training	550	400	37	363
Advertising	1,000	1,000	-	1,000
Telephone expense	650	730	730	-
Audit	1,417	1,417	1,417	-
Repairs and maintenance equipment	15,500	15,500	12,673	2,827
Repairs and maintenance vehicle	105,000	68,995	31,598	37,397
Maintenance agreement	5,684	5,834	5,531	303
Fuel billed by public works	63,000	65,176	63,397	1,779
Repairs by public works shop	23,000	26,989	26,988	1
Solid waste disposal	34,000	92,726	88,437	4,289
Operational supplies	7,300	7,300	5,355	1,945
Equipment purchases	15,000	12,765	-	12,765
Uniforms	3,800	4,985	4,984	1
Building insurance	295	295	184	111
General liability insurance	3,434	3,530	3,334	196
Errors and omissions insurance	930	1,275	1,227	48

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND (continued)				
Auto liability insurance	7,386	8,480	7,927	553
Tipping fee	10,000	14,503	14,503	-
Gas and oil	-	105,078	-	105,078
Reserve to fund deficit	50	50	-	50
Total expenditures	883,508	1,028,994	847,900	181,094
OTHER FINANCING SOURCES (USES)				
Transfers in	-	(105,078)	(105,077)	(1)
Net change in fund balance	\$ 101,892	\$ 95,950	276,785	\$ (181,351)
Fund balance - beginning, as previously reported			(168,417)	
Fund balance - ending			\$ 108,368	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
REVENUES				
Fines, forfeitures, and penalties				
Fines and confiscations	\$ 35,000	\$ 35,000	\$ 770	\$ (34,230)
Drug fines	11,000	11,000	369	(10,631)
Interest on investments	-	-	105	105
Other	150	150	8,100	7,950
Planned use of prior year funds	17,057	17,057	-	(17,057)
Total revenues	<u>63,207</u>	<u>63,207</u>	<u>9,344</u>	<u>(53,863)</u>
EXPENDITURES				
Drug Abuse				
Training and travel	12,000	12,000	468	11,532
Educational material	5,000	5,000	913	4,087
Confidential undercover expense	8,000	8,000	182	7,818
Phone expense	150	150	132	18
Audit fees	1,417	1,417	1,417	-
Repair and maintenance vehicle	1,000	1,000	-	1,000
Maintenance agreement	6,140	6,140	4,947	1,193
Fuel billed by public works	6,000	6,000	-	6,000
Equipment	8,000	8,000	793	7,207
Dog expense	6,000	6,000	3,812	2,188
Police supplies	5,000	5,000	-	5,000
Expendable furnishings and equipment	15,000	15,000	-	15,000
Total expenditures	<u>73,707</u>	<u>73,707</u>	<u>12,664</u>	<u>61,043</u>
Net change in fund balance	<u>\$ (10,500)</u>	<u>\$ (10,500)</u>	(3,320)	<u>\$ (114,906)</u>
Fund balance - beginning			<u>94,497</u>	
Fund balance - ending			<u>\$ 91,177</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
REVENUES				
Fines, forfeitures, and penalties				
DEA federal shared proceeds	\$ 105,000	\$ 105,000	\$ 74,931	\$ (30,069)
Interest on investments	50	50	192	142
Planned use of prior year funds	8,867	8,867	-	(8,867)
Total revenues	<u>113,917</u>	<u>113,917</u>	<u>75,123</u>	<u>(38,794)</u>
EXPENDITURES				
DEA Drug				
Travel and training	10,000	9,937	4,540	5,397
Attorney fees	-	500	300	200
Audit fees	1,417	1,417	1,417	-
Repair and maintenance vehicle	1,500	1,000	261	739
Fuel billed by public works	10,000	10,000	7,981	2,019
Repairs by public works shop	2,000	2,000	285	1,715
Supplies	30,000	24,225	5,083	19,142
Equipment purchase	20,000	20,000	18,448	1,552
Gas and oil	1,000	1,063	1,062	1
Expendable furnishings and equipment	5,000	5,000	104	4,896
Vehicle towing	3,000	3,000	795	2,205
Equipment for cars	5,000	4,048	454	3,594
Car purchases	-	25,952	25,951	1
Contingency	25,000	-	-	-
Total expenditures	<u>113,917</u>	<u>108,142</u>	<u>66,681</u>	<u>41,461</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	5,775	5,775	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,667	<u>\$ (80,255)</u>
Fund balance - beginning			<u>125,663</u>	
Fund balance - ending			<u>\$ 128,330</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
REVENUES				
Charges for services				
Commercial fees	\$ 163,800	\$ 163,800	\$ 181,786	\$ 17,986
Residential fees	89,400	89,400	96,342	6,942
Federal grants	-	-	2,422	2,422
Interest on investments	180	180	179	(1)
Other	5,100	5,100	5,411	311
Planned use of prior year funds	72,954	163,454	-	(163,454)
Total revenues	<u>331,434</u>	<u>421,934</u>	<u>286,140</u>	<u>(135,794)</u>
EXPENDITURES				
Storm Water Control				
Reimbursement for billing by City Hall	35,580	35,580	35,580	-
Reimbursement for service by City Engineer	72,497	72,497	72,497	-
Reimbursement for drain cleaning by Streets	109,045	109,045	109,045	-
Education/outreach	1,500	1,500	400	1,100
Drainage control	15,000	15,000	11,945	3,055
Membership/Dues	150	150	-	150
Advertising	500	500	158	342
Telephone	1,500	1,500	845	655
Audit	1,417	1,417	1,417	-
Engineering	7,500	7,500	1,900	5,600
Repair and maintenance vehicle	750	750	-	750
Maintenance agreement	16,700	16,700	7,615	9,085
Levee maintenance	50,000	140,500	89,376	51,124
Fuel billed by public works	750	750	470	280
Repairs by public works shop	750	750	-	750
Operational supplies	4,000	4,000	3,005	995
Equipment Purchases	1,500	1,500	-	1,500
Gas & Oil (purchased direct)	150	150	-	150
Expendable furnishings and equipment	2,000	1,432	100	1,332
State permits and fees	4,000	4,000	3,460	540
General liability insurance	490	490	306	184
Errors and omissions insurance	349	461	461	-
Auto liability insurance	306	762	762	-
Computer software	5,000	5,000	4,059	941
Total expenditures	<u>331,434</u>	<u>421,934</u>	<u>343,401</u>	<u>78,533</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(57,261)	<u>\$ (57,261)</u>
Fund balance - beginning			<u>321,895</u>	
Fund balance - ending			<u>\$ 264,634</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CON PROJECT FUND				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 12	\$ 19
Planned use of prior year funds	24,569	24,569	-	(25,087)
Total revenues	<u>24,569</u>	<u>24,569</u>	12	(25,068)
EXPENDITURES				
Capital improvements	<u>24,569</u>	<u>24,569</u>	<u>10,801</u>	<u>13,768</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(10,789)	<u>\$ (11,300)</u>
Fund balance - beginning			<u>24,571</u>	
Fund balance - ending			<u>\$ 13,782</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
REVENUES				
Interest on investments	\$ 10	\$ 10	\$ 15	\$ (5)
EXPENDITURES				
Principal retirement				
BNY 1997 loan	165,000	165,000	165,000	-
First TN 2010 CON	91,000	91,000	91,000	-
First TN 2011 loan	70,000	70,000	70,000	-
YMCA agreement	143,420	143,420	143,420	-
2013 TML Loan Principal Pymts	44,000	44,000	44,000	-
Interest expense	238,013	231,648	231,646	2
Administrative charges	5,000	-	1	(1)
Total expenditures	756,433	745,068	745,067	1
OTHER FINANCING SOURCES (USES)				
Transfers in	756,423	745,058	745,058	(4)
Net change in fund balance	\$ -	\$ -	6	\$ (10)
Fund balance - beginning			337	
Fund balance - ending			\$ 343	

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2014

<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grantor Agency</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
97.025	N/A	U.S. Department of Homeland Security Task Force ONE, City of Memphis Pass-Through	\$ 3,423
97.036	FEMA-1909-DR-TN	Public Assistance Grant FEMA	259,275
97.044	EMW-2012-FV-02881	Assistance to Firefighters Grant	<u>332,500</u>
		Total U.S. Department of Homeland Security	591,775
		U.S. Department of Housing and Urban Development	
14.218	N/A	Community Development Block Grant	7,200
14.218	N/A	Shelby County Department of Housing Pass-Through	31,730
14.218	N/A		8,702
14.218	N/A		<u>71,304</u>
			118,936
14.703	N/A	Greenways Grant Pass-Through	<u>38,250</u>
		Total U.S. Department of Housing and Urban Development	157,186
		U.S. Department of Justice	
16.710	2011UMWX0174	Community Oriented Policing Services	<u>81,753</u>
		Total U.S. Department of Justice	81,753
		U.S. Department of Transportation	
20.205	090009	Highway Planning and Construction	84,604
20.205	090010	State of Tennessee Pass-Through	<u>66,258</u>
		Total U.S. Department of Transportation	<u>150,862</u>
		Total Federal Awards	984,999
<u>State Awards</u>			
N/A	N/A	Tennessee Emergency Management Agency Grant	<u>29,261</u>
		Total Federal and State Awards	<u>\$ 1,014,260</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, 2014

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, 2014. 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, 2014

	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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 6,643,269	\$ 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
Intergovernmental	4,092,671	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
Federal, state, and local grants	867,738	8,776,233	11,269,191	4,653,741	805,763	180,119	161,624	39,754	89,150	250,743
Fines, forfeitures, and penalties	635,598	839,232	1,117,138	1,004,927	788,423	619,930	663,055	706,943	375,089	342,517
Licenses, permits, and fees	1,971,314	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
Interest on investments	5,526	34,954	49,343	107,286	154,129	156,067	361,304	476,430	420,477	313,033
Increase (decrease) in fair value of investments	-	-	-	-	-	1,168	26,323	10,322	(22,727)	(3,538)
Recreation	375,109	386,951	389,020	303,377	273,334	142,315	110,872	89,659	76,669	61,774
Other	248,499	156,506	438,376	545,405	531,308	397,272	369,820	388,255	631,286	573,257
Total	14,839,724	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
Other Financing Sources										
Loan proceeds	-	1,150,000	-	6,000,000	-	5,000,000	-	-	-	-
Operating transfers in	1,866,072	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
Total revenues and other financing sources	\$ 16,705,796	\$ 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

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	\$ 1,791,686	\$ 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
Education	935,497	171,122	-	-	-	-	-	-	-	-
Public Safety										
Police	2,674,307	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
Fire	3,039,007	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
Drug control	79,345	120,217	-	-	-	-	-	-	-	-
Total public safety	<u>5,792,659</u>	<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>
Community Services										
Library	314,345	295,243								
Arts, recreation, and parks	803,572	1,494,685								
Recreation	-	-	591,476	577,727	630,004	715,966	819,612	705,379	636,819	687,980
Baker Community Center	-	-	230,886	216,451	182,780	269,150	204,168	157,561	145,542	119,011
Sports Authority	-	-	368,468	419,202	299,911	-	-	-	-	-
Total community services	<u>1,117,917</u>	<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>
Transportation and Environment										
Public works	797,186	261,844	487,700	590,251	880,943	583,121	585,403	578,401	570,436	567,304
Sanitation	847,900	974,156	1,000,186	854,490	1,015,824	827,205	1,219,855	764,141	758,659	682,730
Storm Water	343,401	382,862	-	-	-	-	-	-	-	-
Highways and streets	320,170	705,129	1,367,258	946,176	816,981	765,789	785,327	675,986	641,280	598,980
Total transportation and environment	<u>2,308,657</u>	<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>
Capital projects	<u>740,282</u>	<u>10,966,134</u>	<u>13,216,764</u>	<u>6,476,889</u>	<u>1,245,844</u>	<u>276,215</u>	<u>335,423</u>	<u>555,731</u>	<u>456,129</u>	<u>1,074,553</u>
Debt service	<u>745,067</u>	<u>670,536</u>	<u>650,454</u>	<u>5,835,245</u>	<u>745,604</u>	<u>641,076</u>	<u>639,631</u>	<u>653,660</u>	<u>629,006</u>	<u>5,347,381</u>
Total expenditures	<u>13,431,765</u>	<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>
Other Financing Uses										
Operating transfers out	<u>4,156,315</u>	<u>1,035,589</u>	<u>786,511</u>	<u>1,240,955</u>	<u>1,181,314</u>	<u>1,170,577</u>	<u>1,220,631</u>	<u>1,053,660</u>	<u>900,206</u>	<u>5,572,381</u>
Total expenditures and other financing uses	<u>\$ 17,588,080</u>	<u>\$ 25,017,274</u>	<u>\$ 27,051,677</u>	<u>\$ 25,539,706</u>	<u>\$ 15,172,565</u>	<u>\$ 13,425,312</u>	<u>\$ 14,386,845</u>	<u>\$ 12,606,851</u>	<u>\$ 11,233,254</u>	<u>\$ 20,300,445</u>

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Property tax rate	<u>\$ 1.53</u>	<u>\$ 1.53</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>
Assessed Valuation					
Realty and personalty	\$ 164,129,730	\$ 168,185,180	\$ 166,983,760	\$ 169,234,480	\$ 182,557,550
Public utility	<u>9,787,365</u>	<u>9,682,797</u>	<u>9,017,800</u>	<u>9,043,000</u>	<u>9,490,000</u>
	<u>\$ 173,917,095</u>	<u>\$ 177,867,977</u>	<u>\$ 176,001,560</u>	<u>\$ 178,277,480</u>	<u>\$ 192,047,550</u>
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 174,747,779	\$ 155,641,650	\$ 139,290,570	\$ 132,991,630	\$ 112,662,855
Public utility	<u>9,357,031</u>	<u>8,534,562</u>	<u>8,178,224</u>	<u>7,210,450</u>	<u>7,247,640</u>
	<u>\$ 184,104,810</u>	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER, AND SANITATION RATES

June 30, 2014

Water Rates:

<u>Gallons Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 10.00
Each additional 1,000 gallons	\$ 3.35

Sewer Rates:

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

Sanitation Rates:

<u>Type</u>	<u>Monthly Charge</u>
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, 2014

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>
2013	\$ 49,969
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

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2014

	<u>Total</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004 and prior</u>
Property taxes receivable - beginning 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
ADD:												
Tax levied:	2,660,937	2,660,937	-	-	-	-	-	-	-	-	-	-
Adjustments	73,878	-	72,187	1,490	94	106	-	-	-	-	-	-
Total Additions	<u>2,734,814</u>	<u>2,660,937</u>	<u>72,187</u>	<u>1,490</u>	<u>94</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCT:												
Collections - net of refunds	2,665,748	-	2,523,661	69,929	54,891	8,786	7,582	782	4	114	0	(1)
Releases	93,694	-	87,453	4,254	59	829	-	1,097	-	-	-	2
Total Deductions	<u>2,759,442</u>	<u>-</u>	<u>2,611,114</u>	<u>74,183</u>	<u>54,950</u>	<u>9,615</u>	<u>7,582</u>	<u>1,879</u>	<u>4</u>	<u>114</u>	<u>0</u>	<u>1</u>
Property taxes receivable - end of year	2,929,238	2,660,937	182,458	42,802	17,385	7,367	4,558	4,920	1,634	1,163	976	5,038
Less: Allowance for uncollectibles	(112,685)	(106,437)	(76,632)	(17,977)	(7,302)	(3,094)	(1,914)	(2,066)	(686)	(488)	(410)	(2,116)
Property taxes receivable, net	<u>\$ 2,816,553</u>	<u>\$ 2,554,500</u>	<u>\$ 105,826</u>	<u>\$ 24,825</u>	<u>\$ 10,083</u>	<u>\$ 4,273</u>	<u>\$ 2,644</u>	<u>\$ 2,854</u>	<u>\$ 948</u>	<u>\$ 675</u>	<u>\$ 566</u>	<u>\$ 2,922</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2014

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
 American Water Works Association.
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Click to access definition
 Click to add a comment

Water Audit Report for: **City of Millington**
 Reporting Year: **2014** / **7/2013 - 6/2014**

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

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

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

WATER SUPPLIED

Volume from own sources:	+ ?	5	336.010	MG/Yr
Water imported:	+ ?	n/a		MG/Yr
Water exported:	+ ?	n/a	0.000	MG/Yr

WATER SUPPLIED: 356.170 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+ ?	3	-	20.160	MG/Yr
	+ ?	n/a			MG/Yr
	+ ?	n/a			MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	7	309.514	MG/Yr
Billed unmetered:	+ ?	n/a		MG/Yr
Unbilled metered:	+ ?	n/a		MG/Yr
Unbilled unmetered:	+ ?	9	19.562	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 329.076 MG/Yr

Click here: for help using option buttons below

Pcnt:	+ ?	9	-	19.562	MG/Yr
-------	-----	---	---	--------	-------

Use buttons to select percentage of water supplied
OR
value

Pcnt:	+ ?	0.25%	-		MG/Yr
	+ ?	0.10%			MG/Yr
	+ ?	7		0.774	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 27.094 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ?	n/a	0.890	MG/Yr
---------------------------	-----	-----	-------	-------

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	6	0.310	MG/Yr
Systematic data handling errors:	+ ?	7	0.774	MG/Yr

Apparent Losses: 1.974 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 25.120 MG/Yr

WATER LOSSES: 27.094 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 46.656 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	5	55.7	miles
Number of active AND inactive service connections:	+ ?	7	4,684	
Service connection density:	+ ?	n/a	84	conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:	+ ?	1	67.0	psi
-----------------------------	-----	---	------	-----

COST DATA

Total annual cost of operating water system:	+ ?	9	\$1,152,905	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	\$3.35	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$443.47	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 65 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: Billed metered
3: Customer metering inaccuracies

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

To the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2014.

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, 2014



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

To the 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, 2014. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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, 2014.

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.

Watkins Mikusall, PLLC

Memphis Tennessee
December 19, 2014

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of 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 was:

97.044 – Assistance to Firefighters Grant
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 reported

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

None reported