

CITY OF MILLINGTON, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 includes examining, on a test, basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information shown on pages 36 to 51 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information shown on pages 52 to 60 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Watkins Liberal, PLLC

Memphis, Tennessee
December 30, 2008

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

As management of the City of Millington, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$35,137,147 (net assets). Of this amount, \$6,338,964 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$1,049,215 from the previous year.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,500,450. This is a decrease of \$1,597,726 compared to the previous year's balance. Approximately 99.8% of this total amount, \$11,475,493, is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 7,314,406 or 71% of total general fund expenditures including transfers out.

The City's total gross debt decreased by \$ 517,363 (15 %) during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. 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 or earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation and environment, parks and recreation, and capital projects. The business-type activities of the City include water and sewer services.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide 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 City'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 nine (9) individual government funds. Seven (7) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. 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, capital projects fund, and nonmajor governmental funds, all of which are combined into a single, aggregate presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found starting on page 9 of this report.

A budgetary comparison statement is included in the basic financial statements for the general fund. Budgetary comparison statements for nonmajor special revenue funds can be found in a later section of this report.

Proprietary Funds

The City maintains two (2) different proprietary funds, both of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities.

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 of the water and sewer activities, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-34 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and budget comparison schedules for funds with legal budgets other than the general fund are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 42 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$35,137,147 at the close of the most recent fiscal year. This is a decrease of \$1,049,215 from last year's net assets of \$ 36,186,362.

Of the City's total net assets, eighty-two percent (82%) is reflected in investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt incurred 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 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.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The following provides a summary fo the City's net assets at June 30,2008:

Summary of Net Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 14,617	\$ 15,876	\$ (2,211)	\$ (2,353)	\$ 12,406	\$ 13,523
Capital assets	<u>11,610</u>	<u>11,137</u>	<u>17,163</u>	<u>17,567</u>	<u>28,773</u>	<u>28,704</u>
Total assets	<u>26,227</u>	<u>27,013</u>	<u>14,952</u>	<u>15,214</u>	<u>41,179</u>	<u>42,227</u>
Long-term liabilities	2,860	3,377	-	-	2,860	3,377
Other liabilities	<u>2,960</u>	<u>2,543</u>	<u>222</u>	<u>121</u>	<u>3,182</u>	<u>2,664</u>
Total liabilities	<u>5,820</u>	<u>5,920</u>	<u>222</u>	<u>121</u>	<u>6,042</u>	<u>6,041</u>
Net assets:						
Invested in capital assets, net of related debt	11,610	11,137	17,163	16,276	28,773	27,413
Restricted	25	331	-	-	25	331
Unrestricted	<u>8,772</u>	<u>9,625</u>	<u>(2,433)</u>	<u>(1,183)</u>	<u>6,339</u>	<u>8,442</u>
Total net assets	<u>\$ 20,407</u>	<u>\$ 21,093</u>	<u>\$ 14,730</u>	<u>\$ 15,093</u>	<u>\$ 35,137</u>	<u>\$ 36,186</u>

The City's restricted net assets of \$24,957 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$6,338,964 may be used to met 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 all categories of net assets.

The government's net assets decreased by \$1,049,215 during the current fiscal year. Of this amount, \$685,932 represented a decrease in the net assets from governmental activities and \$363,283 represented a decrease in the net assets from business-type activities.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The following is a summary of activities for the City during the fiscal year ended June 30, 2008:

Summary of Change in Net Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for services	\$ 2,519	\$ 2,426	\$ 1,943	\$ 1,906	\$ 4,462	\$ 4,332
Operating grants and contributions	328	18			328	18
Capital grants and contributions	149	22	69	63	218	85
General revenues						
Local taxes	5,867	6,016	-	-	5,867	6,016
Intergovernmental	1,870	1,930	-	-	1,870	1,930
Interest on investments	320	476	32	35	352	511
Inc. (dec.) in fair value of invest.	26	10	-	-	26	10
Other	359	379	22	25	381	404
Transfers	-	-	-	-	-	-
Total revenues	<u>11,438</u>	<u>11,277</u>	<u>2,066</u>	<u>2,029</u>	<u>13,504</u>	<u>13,306</u>
Expenses						
General government	2,019	2,053	-	-	2,019	2,053
Public safety	6,674	5,426	-	-	6,674	5,426
Transportation and environment	2,257	2,144	-	-	2,257	2,144
Parks and recreation	1,093	919	-	-	1,093	919
Capital projects	-	-	-	-	-	-
Interest on long-term debt	81	161	-	-	81	161
Water	-	-	1,103	1,076	1,103	1,076
Sewer	-	-	1,326	1,280	1,326	1,280
Total expenses	<u>12,124</u>	<u>10,703</u>	<u>2,429</u>	<u>2,356</u>	<u>14,553</u>	<u>13,059</u>
Change in net assets	(686)	574	(363)	(327)	(1,049)	247
Net assets - beginning of year	21,094	20,520	15,093	15,419	36,187	35,939
Net assets - end of year	<u>\$ 20,408</u>	<u>\$ 21,094</u>	<u>\$ 14,730</u>	<u>\$ 15,092</u>	<u>\$ 35,138</u>	<u>\$ 36,186</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$ 685,932. This decrease is primarily due to

- \$ 352,000 General Fund subsidy of State Street Aid and Sanitation
- \$ 304,000 Debt Payments in excess of Revenues
- \$ 105,000 General Fund expenses in excess of Revenues
- \$ 74,000 State Drug,DEA,Gasoline Inspection Fee & Stormwater Revenues in excess of Expenses

Business-Type Activities

Business-type activities decreased the City's net assets by \$363,283. The key elements of this decrease are as follows:

\$ 373,000 representing revenues in excess of expenses(net of depreciation) received

Interest expense on long-term debt was \$ 41,000 with interest income of \$32,000.

Depreciation expense for water and sewer combined accounted for \$712,000 of total decrease.

Financial Analysis of the City's Funds

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

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Millington's governmental funds reported combined ending fund balances of \$11,500,450, which was a decrease of \$1,597,726 in comparison with the prior year. Approximately 99.8% of this amount, \$11,475,493, constitutes unreserved fund balance, which is available for spending at the City's discretion. Included in unreserved fund balance is \$360,905 which has been designated by the Board of Aldermen for use in the related special revenue funds. \$ 24,957 of the remaining balance is not available for spending at the City's discretion due to restrictions placed on these funds from outside sources. The key elements of the decrease \$1,597,726 are as follows:

\$490,000 principal and interest payments of loans from City of Clarksville Public Building Authority through the Tennessee Municipal League
\$1,045,600 capital assets purchased
\$88,000 representing revenues received in excess of expenditures.
\$150,000 annual payment to YMCA (See Note 4E to financial statements on page 30)

The general fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$7,314,406, all of which was unreserved. The General Fund balance represents approximately 71% of the total general fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$ 618,702 as a result of the current year operations.

The capital projects fund has a total fund balance of \$3,800,182, all of which was unreserved. The fund balance of the Capital Projects fund decreased by \$ 625,503. This decrease represents needed capital expenditures in excess of other revenue received in this fund.

Nonmajor (other) governmental funds have a fund balance of \$ 385,862. Of this amount, \$ 360,905 is unreserved but board designated for special revenue fund expenditures. The remaining balance is reserved due to restrictions imposed by outside sources. The combined fund balance for all nonmajor governmental funds decreased by \$ 353,521, due mainly to increase in capital asset purchases.

Proprietary Funds

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

Unrestricted net assets of the water and sewer funds at the end of the year amounted to (\$3,786,750) and \$1,353,319, respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$28,773,226 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furnishing and equipment, and construction in process. The infrastructure (roads, bridges, sidewalks, etc.) of the City for expenditures prior to the implementation of GASB 34 have not been capitalized and included in this balance. With the implementation of GASB 34, the City will capitalize the cost of infrastructure and record depreciation appropriately.

Major capital asset events during the fiscal year included the following:

Vehicles	\$760,000
Sewer Plant Additions	\$195,000
Street Improvements	\$192,000
Civic Center Additions	\$135,000
Equipment - Fire and Police	\$71,000

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Summary of Capital Assets
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 5,206	\$ 5,121	\$ 727	\$ 727	\$ 5,933	\$ 5,848
Buildings and improvements	6,985	6,745	24,550	24,550	31,535	31,295
Furnishing and equipment	900	828	3,462	3,265	4,362	4,093
Vehicles	4,112	3,628	441	330	4,553	3,958
Construction in process	-	-	-	-	-	-
	<u>17,203</u>	<u>16,322</u>	<u>29,180</u>	<u>28,872</u>	<u>46,383</u>	<u>45,194</u>
Less accumulated depreciation	<u>(5,593)</u>	<u>(5,185)</u>	<u>(12,017)</u>	<u>(11,305)</u>	<u>(17,610)</u>	<u>(16,490)</u>
Total capital assets	<u>\$ 11,610</u>	<u>\$ 11,137</u>	<u>\$ 17,163</u>	<u>\$ 17,567</u>	<u>\$ 28,773</u>	<u>\$ 28,704</u>

Additional information on the City's capital assets can be found in Note 4 C to the financial statements on pages 28-29.

Summary of Outstanding Debt
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
YMCA Commitment	\$ 867	\$ 980	\$ -	\$ -	\$ 867	\$ 980
General obligation loans	<u>1,993</u>	<u>2,397</u>	<u>-</u>	<u>-</u>	<u>1,993</u>	<u>2,397</u>
Total long-term debt	<u>\$ 2,860</u>	<u>\$ 3,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,860</u>	<u>\$ 3,377</u>

Information related to the City's long-term debt can be found in Note 4 E to the financial statements on pages 30-31 of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2008-2009 Fiscal year are discussed fully in the budget document and include the following:

Growth in commercial development of approximately 5% for FY2009 should provide an increase in local jobs and an approximate 5% increase in local sales tax.

Completion of Veterans Parkway will provide additional growth in commercial development.

The cost reduction measures implemented in FY 2007 has reduced overall operating expenditures.

Inflationary trends in the region compare favorably to national indices.

At June 30, 2008, the unreserved fund balance in the general fund was \$7,314,406. The City has approved a balanced General Fund operating budget of \$10,768,300 for the fiscal year 2008-2009 without the use of any of the unreserved General Fund balance.

Requests for information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Millington, Finance Director, 7930 Nelson Street, Millington, Tennessee, 38053.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 7,121,235	\$ 1,043,669	\$ 8,164,904
Investments - unrestricted	525,727	-	525,727
Receivables			
Property taxes	2,239,801	-	2,239,801
Beer taxes	43,894	-	43,894
Accounts	180,072	262,693	442,765
Interest	39,448	759	40,207
Other	60,155	-	60,155
Less allowance for doubtful accounts	(213,084)	(50,958)	(264,042)
Internal balances	3,527,766	(3,527,766)	-
Due from other governments	971,089	43,443	1,014,532
Inventory	85,134	-	85,134
Restricted cash	9,168	675	9,843
Prepaid Items	26,751	16,163	42,914
Capital assets, not being depreciated	5,206,314	726,949	5,933,263
Capital assets, being depreciated, net	6,403,897	16,436,066	22,839,963
Total assets	26,227,367	14,951,693	41,179,060
LIABILITIES			
Accounts payable	156,462	49,872	206,334
Accrued expenses	775,460	171,562	947,022
Deferred revenue	1,933,254	-	1,933,254
Customer deposits	-	675	675
Due to other governments	95,012	-	95,012
Noncurrent liabilities:			
Due within one year	543,361	-	543,361
Due in more than one year	2,316,255	-	2,316,255
Total liabilities	5,819,804	222,109	6,041,913
NET ASSETS			
Invested in capital assets, net of related debt	11,610,211	17,163,015	28,773,226
Restricted for:			
Public safety	24,957	-	24,957
Unrestricted	8,772,395	(2,433,431)	6,338,964
Total net assets	\$ 20,407,563	\$ 14,729,584	\$ 35,137,147

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

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	\$ 2,018,638	\$ 736,274	\$ -	\$ -	\$ (1,282,364)	\$ -	\$ (1,282,364)
Public safety	6,674,258	663,055	12,965	67,329	(5,930,909)	-	(5,930,909)
Community services	1,093,004	110,872	-	-	(982,132)	-	(982,132)
Transportation and environment	2,257,204	1,008,326	315,286	81,330	(852,262)	-	(852,262)
Interest on long-term debt	81,304	-	-	-	(81,304)	-	(81,304)
Total governmental activities	<u>12,124,408</u>	<u>2,518,527</u>	<u>328,251</u>	<u>148,659</u>	<u>(9,128,971)</u>	<u>-</u>	<u>(9,128,971)</u>
Business-type activities:							
Water	1,102,989	766,128	-	33,830	-	(303,031)	(303,031)
Sewer	1,326,574	1,176,416	-	35,499	-	(114,659)	(114,659)
Total business-type activities:	<u>2,429,563</u>	<u>1,942,544</u>	<u>-</u>	<u>69,329</u>	<u>-</u>	<u>(417,690)</u>	<u>(417,690)</u>
Total primary government	<u>\$ 14,553,971</u>	<u>\$ 4,461,071</u>	<u>\$ 328,251</u>	<u>\$ 217,988</u>	<u>(9,128,971)</u>	<u>(417,690)</u>	<u>(9,546,661)</u>
General revenues:							
Local taxes					5,867,473	-	5,867,473
Intergovernmental					1,869,672	-	1,869,672
Interest on investments					320,340	32,189	352,529
Change in market value of investments					26,323	-	26,323
Other					359,231	22,218	381,449
Total general revenues and transfers					<u>8,443,039</u>	<u>54,407</u>	<u>8,497,446</u>
Change in net assets					(685,932)	(363,283)	(1,049,215)
Net assets - beginning					21,093,495	15,092,867	36,186,362
Net assets - ending					<u>\$ 20,407,563</u>	<u>\$ 14,729,584</u>	<u>\$ 35,137,147</u>

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

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2008

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,825,110	\$ 539,860	\$ 756,265	\$ 7,121,235
Investments - unrestricted	-	525,727	-	525,727
Receivables				
Property taxes	2,239,801	-	-	2,239,801
Beer taxes	43,894	-	-	43,894
Accounts	-	-	180,072	180,072
Interest	30,283	8,805	360	39,448
Other	60,155	-	-	60,155
Less allowance for doubtful accounts	(161,569)	-	(51,515)	(213,084)
Due from other funds	1,413,128	4,098,311	172,792	5,684,231
Due from other governments	877,716	37,966	55,407	971,089
Inventory	85,134	-	-	85,134
Restricted cash	9,168	-	-	9,168
Prepaid items	26,020	-	731	26,751
	<u>\$ 10,448,840</u>	<u>\$5,210,669</u>	<u>\$ 1,114,112</u>	<u>\$ 16,773,621</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 115,254	\$ 30,227	\$ 10,981	\$ 156,462
Accrued liabilities	694,518	4,293	76,649	775,460
Deferred revenue	2,064,772	-	25,000	2,089,772
Due to other governments	95,012	-	-	95,012
Due to other funds	164,878	1,375,967	615,620	2,156,465
Total liabilities	<u>3,134,434</u>	<u>1,410,487</u>	<u>728,250</u>	<u>5,273,171</u>
Fund balances:				
Reserved for:				
DEA Drug Funds	-	-	10,938	10,938
Drug Fund	-	-	14,019	14,019
Unreserved, reported in:				
General fund	7,314,406	-	-	7,314,406
Capital Improvements fund	-	3,800,182	-	3,800,182
Special revenue funds	-	-	360,905	360,905
Total fund balances	<u>7,314,406</u>	<u>3,800,182</u>	<u>385,862</u>	<u>11,500,450</u>
	<u>\$ 10,448,840</u>	<u>\$5,210,669</u>	<u>\$ 1,114,112</u>	<u>\$ 16,773,621</u>

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

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2008

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

Total governmental fund balances	\$ 11,500,450
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,610,211
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	156,518
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,859,616)</u>
Net assets of governmental activities	<u>\$ 20,407,563</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, 2008

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,945,932	\$ -	\$ -	\$ 5,945,932
Licenses and permits	351,595	-	-	351,595
Intergovernmental	1,869,672	-	315,286	2,184,958
Charges for services	495,551	-	1,008,326	1,503,877
Fines, forfeitures, and penalties	573,629	-	89,426	663,055
Federal, state and local grants	67,329	81,330	12,965	161,624
Interest on investments	249,692	91,898	19,714	361,304
Change in market value of investments	-	26,323	-	26,323
Other	131,942	150,000	87,878	369,820
Total revenues	<u>9,685,342</u>	<u>349,551</u>	<u>1,533,595</u>	<u>11,568,488</u>
EXPENDITURES				
Current				
General government	1,958,214	-	-	1,958,214
Public safety	6,155,647	-	462,934	6,618,581
Community services	1,023,780	-	-	1,023,780
Transportation and environment	585,403	-	2,005,182	2,590,585
Capital improvements	-	335,423	-	335,423
Debt Service				
Principal	-	-	517,363	517,363
Interest and fiscal charges	-	-	122,268	122,268
Total expenditures	<u>9,723,044</u>	<u>335,423</u>	<u>3,107,747</u>	<u>13,166,214</u>
Excess (deficiency) of revenues over (under) expenditures	(37,702)	14,128	(1,574,152)	(1,597,726)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,220,631	1,220,631
Transfers out	<u>(581,000)</u>	<u>(639,631)</u>	<u>-</u>	<u>(1,220,631)</u>
Total other financing sources and uses	<u>(581,000)</u>	<u>(639,631)</u>	<u>1,220,631</u>	<u>-</u>
Net change in fund balances	<u>(618,702)</u>	<u>(625,503)</u>	<u>(353,521)</u>	<u>(1,597,726)</u>
Fund balances - beginning	<u>7,933,108</u>	<u>4,425,685</u>	<u>739,383</u>	<u>13,098,176</u>
Fund balances - ending	<u><u>\$ 7,314,406</u></u>	<u><u>\$ 3,800,182</u></u>	<u><u>\$ 385,862</u></u>	<u><u>\$11,500,450</u></u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

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

Net change in fund balance - total governmental funds \$ (1,597,726)

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 472,890

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (78,459)

The issuance of long-term debt (e.g. notes payable) provides current
financial resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current financial
resources of governmental funds. Neither transaction, however, has
any effect on net assets. This amount is the net effect of these
differences in the treatment of long-term debt. 517,363

Change in net assets of governmental funds \$ (685,932)

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,201,700	\$ 7,068,700	\$ 5,945,932	\$ (1,122,768)
Licenses and permits	401,000	401,000	351,595	(49,405)
Intergovernmental	1,602,900	1,602,900	1,869,672	266,772
Charges for services	566,200	566,200	495,551	(70,649)
Fines, forfeitures, and penalties	472,000	483,000	573,629	90,629
Federal, state and local grants	-	-	67,329	67,329
Interest on investments	284,000	284,000	249,692	(34,308)
Other	57,400	89,400	131,942	42,542
Total revenues	10,585,200	10,495,200	9,685,342	(809,858)
EXPENDITURES				
General government	2,243,200	2,153,200	1,958,214	194,986
Public safety				
Police department	2,956,400	2,956,400	2,998,589	(42,189)
Fire department	2,998,700	2,998,700	3,157,058	(158,358)
Community services				
Recreation department	859,600	859,600	819,612	39,988
Baker Community Center and Civic Center	219,500	219,500	204,168	15,332
Transportation and environment	704,100	704,100	585,403	118,697
Total expenditures	9,981,500	9,891,500	9,723,044	168,456
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	603,700	603,700	(37,702)	(641,402)
OTHER FINANCING SOURCES (USES)				
Transfers out	(603,700)	(603,700)	(581,000)	22,700
Net change in fund balances	\$ -	\$ -	(618,702)	\$ (618,702)
Fund balances - beginning of year			7,933,108	
Fund balances - end of year			<u>\$ 7,314,406</u>	

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2008

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Current assets:			
Cash and cash equivalents	\$ 300,010	\$ 743,659	\$ 1,043,669
Receivables			
Customers	136,370	126,323	262,693
Interest	219	540	759
Less allowance for doubtful accounts	(26,986)	(23,972)	(50,958)
Prepaid expenses	14,701	1,462	16,163
Due from other funds	4,867	607,541	612,408
Due from other governments	-	43,443	43,443
Total current assets	<u>429,181</u>	<u>1,498,996</u>	<u>1,928,177</u>
Noncurrent assets:			
Restricted cash	420	255	675
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,102,564	13,448,251	24,550,815
Furnishings and equipment	754,317	2,706,358	3,460,675
Vehicles	159,994	281,268	441,262
Less accumulated depreciation	(3,843,875)	(8,172,811)	(12,016,686)
Total capital assets	<u>8,175,407</u>	<u>8,987,608</u>	<u>17,163,015</u>
Total noncurrent assets	<u>8,175,827</u>	<u>8,987,863</u>	<u>17,163,690</u>
Total assets	<u>8,605,008</u>	<u>10,486,859</u>	<u>19,091,867</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,272	27,600	49,872
Accrued expenses	67,971	103,591	171,562
Due to other funds	4,125,688	14,486	4,140,174
Customer deposits	420	255	675
Total current liabilities	<u>4,216,351</u>	<u>145,932</u>	<u>4,362,283</u>
NET ASSETS			
Invested in capital assets	8,175,407	8,987,608	17,163,015
Unrestricted	(3,786,750)	1,353,319	(2,433,431)
Total net assets	<u>\$ 4,388,657</u>	<u>\$ 10,340,927</u>	<u>\$ 14,729,584</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 ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 747,831	\$ -	\$ 747,831
Sewer service fee	-	1,158,764	1,158,764
Service connections fees	4,450	4,400	8,850
Forfeited discounts	13,847	13,252	27,099
Other	21,633	585	22,218
Total operating revenues	<u>787,761</u>	<u>1,177,001</u>	<u>1,964,762</u>
Operating expenses:			
Administrative and general	74,790	70,771	145,561
Pumping and filtering	414,687	632,451	1,047,138
Distribution system	259,583	224,796	484,379
Depreciation	312,965	398,556	711,521
Total operating expenses	<u>1,062,025</u>	<u>1,326,574</u>	<u>2,388,599</u>
Operating income (loss)	(274,264)	(149,573)	(423,837)
Nonoperating revenues (expenses):			
Interest income	9,250	22,939	32,189
Interest and agent fee expense	<u>(40,964)</u>	<u>-</u>	<u>(40,964)</u>
Total non-operating revenues (expenses)	<u>(31,714)</u>	<u>22,939</u>	<u>(8,775)</u>
Income (loss) before contributions	(305,978)	(126,634)	(432,612)
Capital contributions - tap fees	25,100	12,200	37,300
Capital contributions - development fees	<u>8,730</u>	<u>23,299</u>	<u>32,029</u>
Change in net assets	(272,148)	(91,135)	(363,283)
Total net assets - beginning	<u>4,660,805</u>	<u>10,432,062</u>	<u>15,092,867</u>
Total net assets - ending	<u>\$ 4,388,657</u>	<u>\$ 10,340,927</u>	<u>\$ 14,729,584</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, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 762,705	\$ 1,159,750	\$ 1,922,455
Payments to suppliers	(318,404)	(353,772)	(672,176)
Payments to employees	(407,265)	(496,430)	(903,695)
Other receipts (payments)	21,633	585	22,218
Net cash provided (used) by operating activities	<u>58,669</u>	<u>310,133</u>	<u>368,802</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	(59,247)	(129,462)	(188,709)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	33,830	35,499	69,329
Acquisition and construction of capital assets	<u>(88,151)</u>	<u>(218,918)</u>	<u>(307,069)</u>
Net cash provided (used) by capital and related financing activities	(54,321)	(183,419)	(237,740)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>9,558</u>	<u>23,857</u>	<u>33,415</u>
Net increase (decrease) in cash and cash equivalents	(45,341)	21,109	(24,232)
Cash and cash equivalents - beginning of the year	<u>345,351</u>	<u>722,550</u>	<u>1,067,901</u>
Cash and cash equivalents - end of the year	<u>\$ 300,010</u>	<u>\$ 743,659</u>	<u>\$ 1,043,669</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (274,264)	\$ (149,573)	\$ (423,837)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	312,965	398,556	711,521
Change in assets and liabilities			
Receivables			
Customers	(3,423)	5,976	2,553
Prepaid expenses	198	198	396
Due from other governments	-	(22,642)	(22,642)
Accounts payable	16,154	26,324	42,478
Accrued expenses	7,039	51,294	58,333
Net cash used by operating activities	<u>\$ 58,669</u>	<u>\$ 310,133</u>	<u>\$ 368,802</u>

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Governmental Accounting Standards Board (GASB) statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments was implemented in the prior year.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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.

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

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

The City reports the following major governmental funds:

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

The Capital Projects Fund accounts for the financing of major governmental fund capital asset purchases.

The City reports the following non-major 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.

The Gas Inspection Fee fund accounts for the receipts and expenditures of the City's share of proceeds from the gasoline inspection fees collected by the State of Tennessee.

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

D - Assets, liabilities and fund equity

1. Deposits and investments

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

Investments are reported at fair value. The state investment pool operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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 they are paid or the property is sold as authorized by law.

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 two years for property, plant and equipment. Capital assets for infrastructure are defined as those assets with an initial individual cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received. Infrastructure assets purchased or received prior to July 1, 2003 have not been recorded.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

6. Compensated absences

Accumulated unpaid vacation is accrued when incurred in all funds. 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.

7. 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 assets.

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

8. Fund equity

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

9. 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 assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$11,610,211 difference are as follows:

Governmental funds capital assets	\$ 17,203,321
Less: accumulated depreciation	<u>(5,593,110)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 11,610,211</u>

Another element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The \$2,859,616 represents notes payable balances at the end of the year. This adjustment reduces fund balances – total governmental funds to arrive at net assets – governmental activities.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the \$472,890 difference are as follows:

Capital outlay	\$ 1,045,618
Depreciation expense	(562,139)
Loss on disposal of capital assets	<u>(10,589)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 472,890</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The \$517,363 represents principal payments on notes payable during the year. This adjustment increases fund balances – total governmental funds to arrive at net assets – governmental activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds except the capital projects fund.

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

The City Finance Director 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, certain special revenue funds, debt service fund, proprietary funds, and the self-insurance fund. Budgets for the capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the following governmental fund:

	<u>Amount</u>
Gas Inspection Fee Fund	\$ (7,240)

These excess expenditures were funded by available fund balance.

C. Budgetary basis of accounting

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

D. Deficit fund equity

As of June 30, 2008, the state street aid fund had a deficit fund balance of \$9,118 and the sanitation fund had a deficit fund balance of \$157,777.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$8,174,747 and the bank balance was \$8,578,934. Of the bank balance, \$300,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$8,278,934 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, money market mutual 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.

Investments are recorded at fair value as determined by quoted market prices. At year end, the investment consists of a zero coupon U.S. Treasury bill with a fair value of \$525,707, maturity date of February 15, 2010 and stated interest of 3.5%. Investments are held by the City's agent in the City's name.

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	Capital Projects	Water Fund	Sewer Fund	Non-major Funds	Total
Receivables:						
Taxes	\$ 2,283,695	\$ -	\$ -	\$ -	\$ -	\$ 2,283,695
Interest	30,283	8,805	219	540	360	40,207
Accounts receivable	-	-	136,370	126,323	180,072	442,765
Other	60,155	-	-	-	-	60,155
Gross receivables	<u>2,374,133</u>	<u>8,805</u>	<u>136,589</u>	<u>126,863</u>	<u>180,432</u>	<u>2,826,822</u>
Less: allowance for doubtful accounts	<u>(161,569)</u>	<u>-</u>	<u>(26,986)</u>	<u>(23,972)</u>	<u>(51,515)</u>	<u>(264,042)</u>
Net total receivables	<u><u>\$ 2,212,564</u></u>	<u><u>\$ 8,805</u></u>	<u><u>\$ 109,603</u></u>	<u><u>\$ 102,891</u></u>	<u><u>\$ 128,917</u></u>	<u><u>\$ 2,562,780</u></u>

Property taxes 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 \$52,099.

Governmental funds report deferred 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, deferred revenue of \$2,064,772 was reported in governmental funds for property taxes receivable.

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2008 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, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,120,704	\$ -	\$ -	\$ 5,120,704
Construction in progress	-	85,610	-	85,610
Total capital assets, not being depreciated	<u>5,120,704</u>	<u>85,610</u>	<u>-</u>	<u>5,206,314</u>
Capital assets, being depreciated:				
Buildings and improvements	6,745,065	240,300	-	6,985,365
Furnishings and equipment	828,384	71,352	-	899,736
Vehicles	3,628,513	648,356	(164,963)	4,111,906
Total capital assets, being depreciated	<u>11,201,962</u>	<u>960,008</u>	<u>(164,963)</u>	<u>11,997,007</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,435,928)	(189,574)	-	(2,625,502)
Furnishings and equipment	(528,271)	(79,446)	-	(607,717)
Vehicles	(2,221,146)	(293,119)	154,374	(2,359,891)
Total accumulated depreciation	<u>(5,185,345)</u>	<u>(562,139)</u>	<u>154,374</u>	<u>(5,593,110)</u>
Total capital assets, being depreciated, net	<u>6,016,617</u>	<u>397,869</u>	<u>(10,589)</u>	<u>6,403,897</u>
Governmental activities capital assets, net	<u>\$ 11,137,321</u>	<u>\$ 483,479</u>	<u>\$ (10,589)</u>	<u>\$ 11,610,211</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Total capital assets, not being depreciated	<u>726,949</u>	<u>-</u>	<u>-</u>	<u>726,949</u>
Capital assets, being depreciated:				
Buildings and improvements	24,550,815	-	-	24,550,815
Furnishings and equipment	3,265,283	195,392	-	3,460,675
Vehicles	329,585	111,677	-	441,262
Total capital assets, being depreciated	<u>28,145,683</u>	<u>307,069</u>	<u>-</u>	<u>28,452,752</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,247,997)	(580,583)	-	(8,828,580)
Furnishings and equipment	(2,734,758)	(105,754)	-	(2,840,512)
Vehicles	(322,410)	(25,184)	-	(347,594)
Total accumulated depreciation	<u>(11,305,165)</u>	<u>(711,521)</u>	<u>-</u>	<u>(12,016,686)</u>
Total capital assets, being depreciated, net	<u>16,840,518</u>	<u>(404,452)</u>	<u>-</u>	<u>16,436,066</u>
Business-type activity capital assets, net	<u>\$ 17,567,467</u>	<u>\$ (404,452)</u>	<u>\$ -</u>	<u>\$ 17,163,015</u>

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

Governmental Activities:		
General government		\$ 50,911
Public safety		258,936
Community services		85,114
Transportation and environment		167,178
Total depreciation expense - governmental activities		<u>\$ 562,139</u>
Business-Type Activities:		
Water		\$ 312,965
Sewer		398,556
Total depreciation expense - business-type activities		<u>\$ 711,521</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 579,102
	Water	48,541
	Sewer	14,486
	Capital projects	770,999
		<u>\$ 1,413,128</u>
Capital projects	Water	\$ 4,072,036
	Nonmajor governmental	26,275
		<u>\$ 4,098,311</u>
Nonmajor governmental	General	\$ 164,878
	Nonmajor governmental	5,376
	Water	2,538
		<u>\$ 172,792</u>
Water	Nonmajor governmental	<u>\$ 4,867</u>
Sewer	Capital projects	\$ 604,968
	Water	2,573
		<u>\$ 607,541</u>

The outstanding balances between funds include working capital loans made to proprietary funds that the capital projects fund expects to collect in a subsequent year. Other outstanding balances result

from the time lag between the dates reimbursable expenditures occur and payments between funds are made.

Interfund transfers:

Transfer out:	Transfer in:			Total
	Nonmajor Governmental - State Street Aid	Nonmajor Governmental - Sanitation	Nonmajor Governmental - Debt Service	
General fund	\$ 445,000	\$ 136,000	\$ -	\$ 581,000
Capital projects	-	-	639,631	639,631
Total transfers out	\$ 445,000	\$ 136,000	\$ 639,631	\$ 1,220,631

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.

E. Long Term Debt

General obligation loans payable

In fiscal 1997, the City entered into a 15 year loan agreement to borrow \$3,500,000 from the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (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 2008 was 2.78%.

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 2008 was 2.68%.

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.

Changes in long-term liabilities

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

	<u>Beginning Balance -</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	<u>\$ 3,376,979</u>	<u>\$ -</u>	<u>\$ (517,363)</u>	<u>\$ 2,859,616</u>	<u>\$ 543,361</u>

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

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 543,361	\$ 65,164	\$ 608,525
2010	571,547	53,309	624,856
2011	599,727	40,872	640,599
2012	282,411	27,845	310,256
2013	294,805	20,066	314,871
2014-2015	567,765	15,860	583,625
	<u>\$ 2,859,616</u>	<u>\$ 223,116</u>	<u>\$ 3,082,732</u>

NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

Employees of Millington are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Millington participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee

Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

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, 2008 was 13.34% 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, 2008, Millington's annual pension cost of \$852,264 to TCRS was equal to Millington's required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% 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 five 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, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Following is a summary of the three-year trend for the years ended June 30:

Trend Information					
Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation		
June 30, 2008	\$ 852,264	100%	\$	-	
June 30, 2007	\$ 810,340	100%	\$	-	
June 30, 2006	\$ 555,444	100%	\$	-	

E. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 90.02% funded. The actuarial accrued liability for benefits was \$16.04 million, and the actuarial value of assets was \$14.44 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.60 million. The covered payroll

(annual payroll of active employees covered by the plan) was \$6.05 million, and the ratio of the UAAL to the covered payroll was 26.46%.

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method of that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**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 ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
July 1, 2007	\$ 14,439,000	\$ 16,040,000	\$ 1,601,000	90.02%	\$ 6,050,000	26.46%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has a contract in progress for ADA improvements to the Civic Center with a balance to complete of \$92,390 at June 30, 2008.

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 half of the salary, fringe benefits, and authorized expenses of one full time employee of the Trustee. Collection fees paid to the Trustee totaled \$70,689 for the year ended June 30, 2008.

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 Navy Base and Shelby County, the City provides service from the sewer treatment plant at a cost of \$1.25 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.

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, etc. The City is reimbursed for all disbursements by the respective entities.

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 5, the City provides post-retirement health care 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 in conjunction with the TCRS. The City provides certain healthcare and life insurance coverage at nominal cost to retirees. Currently, 31 employees are eligible for post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. Expenses for the year ended June 30, 2008 were \$109,549.

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.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 1,848,800	\$ 1,848,800	\$ 1,900,648	\$ 51,848
Beer tax	405,000	405,000	417,113	12,113
Business and personalty tax	385,300	385,300	438,119	52,819
Local sales tax	4,525,000	4,392,000	3,143,209	(1,248,791)
Interest and penalties	22,600	22,600	22,638	38
CATV franchise tax	15,000	15,000	24,205	9,205
Total taxes	7,201,700	7,068,700	5,945,932	(1,122,768)
LICENSES AND PERMITS				
Automobile stickers	204,400	204,400	196,216	(8,184)
Building and related permits	107,000	107,000	80,647	(26,353)
Planning and subdivision fees	15,100	15,100	8,655	(6,445)
Beer application and solicitors	2,400	2,400	3,065	665
Clerk fees	5,600	5,600	3,210	(2,390)
Liquor permits	2,500	2,500	3,700	1,200
Liquor inspection fee	64,000	64,000	56,102	(7,898)
Total licenses and permits	401,000	401,000	351,595	(49,405)
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales tax	782,000	782,000	747,517	(34,483)
Beer tax	6,000	6,000	5,707	(293)
Income tax	30,000	30,000	33,417	3,417
Excise tax	10,000	10,000	20,308	10,308
Mixed drinks tax	9,000	9,000	25,597	16,597
Telecommunications sales tax	1,800	1,800	1,363	(437)
Receipts in lieu of tax - TVA	86,600	86,600	96,855	10,255
Receipts in lieu of tax -				
Millington Housing Authority	19,500	19,500	22,200	2,700
Receipts in lieu of tax - MLGW	70,000	70,000	94,359	24,359
Shelby County - Fire	583,300	583,300	817,263	233,963
Shelby County - "911"	4,700	4,700	5,086	386
Total intergovernmental	1,602,900	1,602,900	1,869,672	266,772

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority fire protection	440,600	440,600	384,679	(55,921)
Recreation	125,600	125,600	110,872	(14,728)
Total charges for services	<u>566,200</u>	<u>566,200</u>	<u>495,551</u>	<u>(70,649)</u>
FINES FORFEITURES AND PENALTIES				
City court fines	472,000	483,000	573,629	90,629
FEDERAL, STATE AND LOCAL GRANTS	-	-	67,329	67,329
INTEREST ON INVESTMENTS	284,000	284,000	249,692	(34,308)
OTHER	57,400	89,400	131,942	42,542
TOTAL GENERAL FUND REVENUES	<u>\$ 10,585,200</u>	<u>\$ 10,495,200</u>	<u>\$ 9,685,342</u>	<u>\$ (809,858)</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General and Administrative Salaries				
Office personnel	\$ 208,100	\$ 208,100	\$ 276,851	\$ (68,751)
Officials	138,900	138,900	136,681	2,219
City judge	39,000	39,000	40,469	(1,469)
City prosecutor	16,000	16,000	15,996	4
Court personnel	97,100	97,100	96,367	733
Building inspector and code enforcement	278,700	278,700	170,285	108,415
Advertising	13,200	13,200	1,442	11,758
Air conditioning	10,000	10,000	4,358	5,642
Airport Authority	150,000	150,000	150,000	-
Chamber of Commerce	27,000	27,000	27,000	-
Compensation study	16,900	16,900	12,406	4,494
Contract labor	3,000	3,000	3,418	(418)
Engineering	23,400	23,400	5,961	17,439
Inspection	17,000	17,000	35,964	(18,964)
Insurance	126,600	126,600	110,538	16,062
Interest	66,600	66,600	-	66,600
Legal and professional	257,000	167,000	162,212	4,788
Library	261,700	261,700	264,977	(3,277)
Maintenance	29,000	29,000	35,439	(6,439)
Membership	15,800	15,800	12,932	2,868
Office supplies	13,800	13,800	18,196	(4,396)
Payroll taxes	58,000	58,000	54,130	3,870
Physical and medical	1,200	1,200	716	484
Public relations	26,200	26,200	23,656	2,544
Publications and flags	6,800	6,800	1,993	4,807
Repairs and maintenance	47,400	47,400	62,731	(15,331)
Retirement	102,300	102,300	94,129	8,171
Supplies	44,800	44,800	41,447	3,353
Telephone	30,200	30,200	25,793	4,407
Travel and training	29,400	29,400	8,428	20,972
Utilities	21,600	21,600	21,396	204
Administrative and other	36,500	36,500	42,303	(5,803)
Capital outlay - equipment purchases	30,000	30,000	-	30,000
Total general government	2,243,200	2,153,200	1,958,214	194,986

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 1,939,600	\$ 1,939,600	\$ 1,937,436	\$ 2,164
Payroll taxes	141,200	141,200	154,242	(13,042)
Insurance	405,200	405,200	349,599	55,601
Retirement	258,600	258,600	248,127	10,473
Telephone and utilities	45,000	45,000	45,659	(659)
Education and training	20,000	20,000	22,927	(2,927)
Medical	6,500	6,500	8,131	(1,631)
Repairs and maintenance	53,800	53,800	76,620	(22,820)
Supplies and other	49,000	49,000	48,223	777
Gas and oil	-	-	60,049	(60,049)
Uniforms	25,000	25,000	35,193	(10,193)
Jail expense	12,000	12,000	9,779	2,221
Recruiting	500	500	-	500
Capital outlay - equipment purchases	-	-	2,604	(2,604)
Total police department	2,956,400	2,956,400	2,998,589	(42,189)
Fire Department				
Salaries and wages	1,881,400	1,881,400	1,771,839	109,561
Payroll taxes	144,900	144,900	135,834	9,066
Insurance	321,500	321,500	316,046	5,454
Retirement	241,800	241,800	223,467	18,333
Ambulance service	-	-	364,279	(364,279)
Telephone and utilities	59,000	59,000	56,773	2,227
Education and training	36,000	36,000	24,406	11,594
Medical	6,700	6,700	6,432	268
Repairs and maintenance	147,900	147,900	117,002	30,898
Supplies and other	87,800	87,800	69,035	18,765
Gas and oil	34,700	34,700	34,027	673
Uniforms	14,500	14,500	16,937	(2,437)
Volunteer	4,000	4,000	4,081	(81)
Fire hose	3,500	3,500	3,025	475
Capital outlay - equipment purchases	15,000	15,000	13,875	1,125
Total fire department	2,998,700	2,998,700	3,157,058	(158,358)
Total public safety	5,955,100	5,955,100	6,155,647	(200,547)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Recreation Department				
Operating Expenditures				
Salaries and wages	491,000	491,000	490,530	470
Payroll taxes	58,500	58,500	58,441	59
Insurance	75,300	75,300	59,469	15,831
Retirement	50,900	50,900	40,838	10,062
Telephone	9,100	9,100	10,577	(1,477)
Education and training	8,600	8,600	24	8,576
Utilities	20,000	20,000	22,854	(2,854)
Supplies and other	29,900	29,900	41,647	(11,747)
Medical	800	800	1,091	(291)
Repairs and maintenance	46,800	46,800	36,325	10,475
Playground supplies	6,200	6,200	4,895	1,305
Gas and oil	14,000	14,000	19,132	(5,132)
Uniforms	18,000	18,000	15,045	2,955
Trophies	2,500	2,500	2,854	(354)
Capital outlay - equipment purchases	28,000	28,000	15,890	12,110
Total recreation department	859,600	859,600	819,612	39,988
Baker Community Center and Civic Center				
Operating Expenditures				
Salaries and wages	-	-	1,834	(1,834)
Payroll taxes	-	-	141	(141)
Insurance	11,200	11,200	10,840	360
Repairs and maintenance	81,300	81,300	32,595	48,705
Supplies	23,000	23,000	38,738	(15,738)
Utilities	84,000	84,000	99,527	(15,527)
Special Events	20,000	20,000	20,493	(493)
Capital outlay - equipment purchases	-	-	-	-
Total Baker Community Center and Civic Center	219,500	219,500	204,168	15,332
Total community services	1,079,100	1,079,100	1,023,780	55,320

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TRANSPORTATION AND ENVIRONMENT				
Public Works Department				
Operating expenditures				
Salaries and wages	353,500	353,500	350,044	3,456
Payroll taxes	25,200	25,200	25,138	62
Insurance	65,100	65,100	53,075	12,025
Repairs and maintenance	75,000	75,000	18,190	56,810
Retirement	47,100	47,100	44,002	3,098
Gas and oil	7,600	7,600	9,070	(1,470)
Medical	500	500	1,257	(757)
Office supplies	8,000	8,000	8,937	(937)
Supplies	59,600	59,600	22,011	37,589
Telephone	8,000	8,000	9,060	(1,060)
Training and travel	1,000	1,000	871	129
Uniforms	4,500	4,500	4,833	(333)
Utilities	15,000	15,000	17,125	(2,125)
Animal control	6,000	6,000	3,946	2,054
Capital outlay - equipment purchase	28,000	28,000	17,844	10,156
Total public works department	<u>704,100</u>	<u>704,100</u>	<u>585,403</u>	<u>118,697</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 9,981,500</u>	<u>\$ 9,891,500</u>	<u>\$ 9,723,044</u>	<u>\$ 168,456</u>

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Federal, state and local grants	\$ -	\$ -	\$ 81,330	\$ 81,330
Interest on investments	194,500	194,500	91,898	(102,602)
Change in market value of investments	-	-	26,323	26,323
Other	150,000	150,000	150,000	-
Total revenues	<u>344,500</u>	<u>344,500</u>	<u>349,551</u>	<u>5,051</u>
Expenditures:				
Capital improvements	<u>1,410,000</u>	<u>1,410,000</u>	<u>335,423</u>	<u>1,074,577</u>
Excess (deficiency) of revenues over expenditures	(1,065,500)	(1,065,500)	14,128	1,079,628
Other financing sources (uses):				
Transfers out	<u>(686,700)</u>	<u>(686,700)</u>	<u>(639,631)</u>	<u>47,069</u>
Net change in fund balance	<u><u>\$(1,752,200)</u></u>	<u><u>\$(1,752,200)</u></u>	<u>(625,503)</u>	<u><u>\$ 1,126,697</u></u>
Fund balance - beginning			<u>4,425,685</u>	
Fund balance - ending			<u><u>\$ 3,800,182</u></u>	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
ASSETS								
Cash and cash equivalents	\$ 47,181	\$ -	\$ 215,048	\$ 19,403	\$ 107,855	\$ 366,778	\$ -	\$ 756,265
Receivables, net								
Accounts	-	-	149,807	25,000	-	5,265	-	180,072
Interest	-	-	28	4	6	322	-	360
Less allowance	-	-	(46,913)	-	-	(4,602)	-	(51,515)
Due from other funds	-	164,878	-	-	5,376	2,538	-	172,792
Due from other governments	49,013	-	-	-	6,394	-	-	55,407
Prepays and other assets	-	-	-	-	-	731	-	731
Total assets	\$ 96,194	\$ 164,878	\$ 317,970	\$ 44,407	\$ 119,631	\$ 371,032	\$ -	\$ 1,114,112
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 2,840	\$ -	\$ 7,331	\$ 12	\$ 21	\$ 777	\$ -	\$ 10,981
Accrued payroll and vacation	27,751	-	42,320	-	-	6,578	-	76,649
Deferred revenue	-	-	-	25,000	-	-	-	25,000
Due to other funds	74,721	-	426,096	5,376	108,672	755	-	615,620
Total liabilities	105,312	-	475,747	30,388	108,693	8,110	-	728,250
Fund balances:								
Reserved	-	-	-	14,019	10,938	-	-	24,957
Unreserved	(9,118)	164,878	(157,777)	-	-	362,922	-	360,905
Total fund balances	(9,118)	164,878	(157,777)	14,019	10,938	362,922	-	385,862
Total liabilities and fund balances	\$ 96,194	\$ 164,878	\$ 317,970	\$ 44,407	\$ 119,631	\$ 371,032	\$ -	\$ 1,114,112

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2008

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gasoline Inspection Fee Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
REVENUES								
State gasoline tax (local share)	\$ 292,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,553
Gasoline inspection fee (local share)	-	22,733	-	-	-	-	-	22,733
Federal grant	-	-	-	-	12,965	-	-	12,965
Fees	-	-	762,073	-	-	246,253	-	1,008,326
Interest on investments	52	-	7,012	983	3,548	8,119	-	19,714
Fines and confiscations	-	-	-	20,242	-	-	-	20,242
DEA federal shared proceeds	-	-	-	-	69,184	-	-	69,184
Other	-	-	33,015	45,375	4,701	4,787	-	87,878
Total revenues	292,605	22,733	802,100	66,600	90,398	259,159	-	1,533,595
EXPENDITURES								
Public Safety								
Drug abuse	-	-	-	102,219	-	-	-	102,219
DEA Drug	-	-	-	-	147,139	-	-	147,139
Transportation and Environment								
Street department	647,550	30,440	-	-	-	45,819	-	723,809
Street improvements	3,254	-	-	-	-	-	-	3,254
Solid waste control	-	-	795,072	-	-	-	-	795,072
Capital outlays	33,189	-	424,783	-	213,576	25,075	-	696,623
Debt service - principal	-	-	-	-	-	-	517,363	517,363
Debt service - interest and fiscal charges	-	-	-	-	-	-	122,268	122,268
Total expenditures	683,993	30,440	1,219,855	102,219	360,715	70,894	639,631	3,107,747
Excess (deficiency) of revenues over expenditures	(391,388)	(7,707)	(417,755)	(35,619)	(270,317)	188,265	(639,631)	(1,574,152)
OTHER FINANCING SOURCES (USES)								
Transfers in	445,000	-	136,000	-	-	-	639,631	1,220,631
Net change in fund balances	53,612	(7,707)	(281,755)	(35,619)	(270,317)	188,265	-	(353,521)
Fund balances - beginning	(62,730)	172,585	123,978	49,638	281,255	174,657	-	739,383
Fund balances - ending	\$ (9,118)	\$ 164,878	\$ (157,777)	\$ 14,019	\$ 10,938	\$ 362,922	\$ -	\$ 385,862

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 319,000	\$ 319,000	\$ 292,553	\$ (26,447)
Interest on investments	-	-	52	52
Total revenues	<u>319,000</u>	<u>319,000</u>	<u>292,605</u>	<u>(26,395)</u>
Expenditures:				
Street Department				
Salaries	287,600	287,600	253,966	33,634
Insurance	79,400	79,400	80,524	(1,124)
Payroll taxes	21,200	21,200	17,394	3,806
Repairs and maintenance	43,000	43,000	60,060	(17,060)
Retirement	37,100	37,100	31,608	5,492
Street lights	200,000	200,000	160,108	39,892
Supplies	34,700	34,700	38,416	(3,716)
Uniforms	4,000	4,000	3,407	593
Other	5,400	5,400	2,067	3,333
Street improvements	15,000	15,000	3,254	11,746
Capital outlays	-	-	33,189	(33,189)
Total expenditures	<u>727,400</u>	<u>727,400</u>	<u>683,993</u>	<u>43,407</u>
Excess (deficiency) of revenues over expenditures	(408,400)	(408,400)	(391,388)	17,012
Other financing sources (uses):				
Transfers in	<u>408,400</u>	<u>408,400</u>	<u>445,000</u>	<u>36,600</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	53,612	<u>\$ 53,612</u>
Fund balance - beginning			<u>(62,730)</u>	
Fund balance - ending			<u>\$ (9,118)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GAS INSPECTION FEE FUND				
Revenues:				
Gasoline inspection fee (local share)	\$ 23,200	\$ 23,200	\$ 22,733	\$ (467)
Expenditures:				
Street Department				
Repairs and maintenance	<u>23,200</u>	<u>23,200</u>	<u>30,440</u>	<u>(7,240)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,707)</u>	<u>\$ (7,707)</u>
Fund balance - beginning			<u>172,585</u>	
Fund balance - ending			<u>\$ 164,878</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Commercial fees	\$ 265,000	\$ 265,000	\$ 188,890	\$ (76,110)
Residential fees	636,000	636,000	573,183	(62,817)
Interest on investments	13,500	13,500	7,012	(6,488)
Other	19,300	19,300	33,015	13,715
Total revenues	<u>933,800</u>	<u>933,800</u>	<u>802,100</u>	<u>(131,700)</u>
Expenditures:				
Salaries	424,200	424,200	412,845	11,355
Insurance	119,200	119,200	121,285	(2,085)
Payroll taxes	29,800	29,800	28,333	1,467
Retirement	56,700	56,700	54,503	2,197
Gas and oil	47,600	47,600	51,647	(4,047)
Sanitation disposal fees	55,000	55,000	42,630	12,370
Repairs and maintenance	50,200	50,200	57,395	(7,195)
Administrative and other	13,500	13,500	26,434	(12,934)
Capital outlays	475,000	475,000	424,783	50,217
Total expenditures	<u>1,271,200</u>	<u>1,271,200</u>	<u>1,219,855</u>	<u>51,345</u>
Excess (deficiency) of revenues over expenditures	(337,400)	(337,400)	(417,755)	(80,355)
Other financing sources:				
Transfers in	<u>337,400</u>	<u>337,400</u>	<u>136,000</u>	<u>(201,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(281,755)	<u>\$ (281,755)</u>
Fund balance - beginning			<u>123,978</u>	
Fund balance - ending			<u>\$ (157,777)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines and confiscations	\$ 56,100	\$ 56,100	\$ 20,242	\$ (35,858)
Interest on investments	2,000	2,000	983	(1,017)
Other	-	45,375	45,375	-
Total revenues	<u>58,100</u>	<u>103,475</u>	<u>66,600</u>	<u>(36,875)</u>
Expenditures:				
Educational materials	3,000	3,000	4,316	(1,316)
Supplies and other	53,100	98,475	97,759	716
Telephone	2,000	2,000	144	1,856
Total expenditures	<u>58,100</u>	<u>103,475</u>	<u>102,219</u>	<u>1,256</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(35,619)	<u>\$ (35,619)</u>
Fund balance - beginning			<u>49,638</u>	
Fund balance - ending			<u>\$ 14,019</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
Revenues:				
DEA shared proceeds	\$ 287,200	\$ 287,200	\$ 69,184	\$ (218,016)
Federal grant	16,000	16,000	12,965	(3,035)
Interest on investments	10,000	10,000	3,548	(6,452)
Other	-	-	4,701	4,701
Total revenues	<u>313,200</u>	<u>313,200</u>	<u>90,398</u>	<u>(222,802)</u>
Expenditures:				
DEA overtime expenses	16,000	16,000	12,965	3,035
Supplies and other	158,900	158,900	134,174	24,726
Capital outlays	<u>138,300</u>	<u>198,300</u>	<u>213,576</u>	<u>(15,276)</u>
Total expenditures	<u>313,200</u>	<u>373,200</u>	<u>360,715</u>	<u>12,485</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (60,000)</u>	(270,317)	<u>\$ (210,317)</u>
Fund balance - beginning			<u>281,255</u>	
Fund balance - ending			<u>\$ 10,938</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
Revenues:				
Commercial fees	\$ 172,000	\$ 172,000	\$ 162,581	\$ (9,419)
Residential fees	77,000	77,000	83,672	6,672
Interest on investments	8,000	8,000	8,119	119
Other	3,900	3,900	4,787	887
Total revenues	<u>260,900</u>	<u>260,900</u>	<u>259,159</u>	<u>(1,741)</u>
Expenditures:				
Salaries	31,000	31,000	32,079	(1,079)
Insurance	3,500	3,500	-	3,500
Payroll taxes	2,200	2,200	2,294	(94)
Retirement	4,200	4,200	3,686	514
Repairs and maintenance	52,300	52,300	2,173	50,127
Supplies	1,200	1,200	325	875
Administrative and other	7,600	7,600	5,262	2,338
Capital outlay	24,000	24,000	25,075	(1,075)
Total expenditures	<u>126,000</u>	<u>126,000</u>	<u>70,894</u>	<u>55,106</u>
Net change in fund balance	<u>\$ 134,900</u>	<u>\$ 134,900</u>	188,265	<u>\$ 53,365</u>
Fund balance - beginning			<u>174,657</u>	
Fund balance - ending			<u>\$ 362,922</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Expenditures:				
Principal retirement	\$ 515,300	\$ 515,300	\$ 517,363	\$ (2,063)
Agents fees	4,700	4,700	3,931	769
Interest expense	166,700	166,700	118,337	48,363
Total expenditures	<u>686,700</u>	<u>686,700</u>	<u>639,631</u>	<u>47,069</u>
Other Financing Sources:				
Transfers in	<u>686,700</u>	<u>686,700</u>	<u>639,631</u>	<u>(47,069)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2008

<u>CFDA Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2007</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2008</u>
97.021	<u>Department of Homeland Security</u> Hazardous Materials Assistance Program	\$ -	\$ 32,329	\$ 32,329	\$ -
Total Federal Awards		<u>\$ -</u>	<u>\$ 32,329</u>	<u>\$ 32,329</u>	<u>\$ -</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICERS

For the Year Ended June 30, 2008

	<u>Annual Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>
Mayor	\$ 59,534	\$ 100,000	Continental Insurance Company
City Clerk	55,068	100,000	Continental Insurance Company
Account Clerk	31,382	100,000	Continental Insurance Company
City Court Clerk	30,602	25,000	Continental Insurance Company
Police Chief	61,048	-	
Fire Chief	69,654	-	

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2008

<u>Insurance Company</u>	<u>Property Covered</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Expires</u>
TML Risk Management	7930 Nelson	Property	(a)	2/13/2009
TML Risk Management	8077 Wilkinsville Road	Property	(a)	2/13/2009
TML Risk Management	7942 Church Street	Property	(a)	2/13/2009
TML Risk Management	7926 Church Street	Property	(a)	2/13/2009
TML Risk Management	4836 Navy Road	Property	(a)	2/13/2009
TML Risk Management	6457 Navy Road	Property	(a)	2/13/2009
TML Risk Management	7265 Raleigh-Millington Road	Property	(a)	2/13/2009
TML Risk Management	4858 Navy Road	Property	(a)	2/13/2009
TML Risk Management	4701 Biloxi	Property	(a)	2/13/2009
TML Risk Management		Sewer Plant Water Plant Water Treatment Plant	(a)	2/13/2009
TML Risk Management		General liability	\$ 600,000	
		Auto liability	600,000	
		Errors and omissions (public officials)	1,000,000	
		Police liability	600,000	2/13/2010
TML Risk Management		Workmen's compensation	1,000,000 (per occurrence)	2/13/2011
TML Risk Management		Employee dishonesty	100,000	2/13/2009
Continental Insurance Company		Public employees blanket bond	50,000	3/20/2009

(a) TML Risk Management insurance consisting of a \$49,665,668 blanket coverage policy per occurrence. The deductible is \$5,000 per occurrence.

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Local taxes	\$ 5,945,932	\$ 5,812,756	\$ 5,722,804	\$ 5,252,553	\$ 4,738,424	\$ 4,294,766	\$ 4,567,171	\$ 3,579,115	\$ 3,524,442	\$ 3,373,018
State taxes (local share)	2,184,958	1,929,801	1,518,384	1,160,520	1,290,071	1,502,277	1,740,899	1,924,576	1,911,122	1,857,853
Federal and state grants	161,624	39,754	89,150	250,743	236,027	314,291	9,461	9,212	176,391	222,299
Fines and forfeitures	663,055	706,943	375,089	342,517	195,092	174,063	225,940	187,439	205,334	199,849
Licenses, permits and fees	1,744,600	1,629,845	1,122,546	984,916	956,290	857,928	815,044	610,829	595,704	580,537
Interest on investments	361,304	476,430	420,477	313,033	332,647	667,086	711,008	953,431	876,505	815,560
Increase (decrease) in fair value of investments	26,323	10,322	(22,727)	(3,538)	(165,281)	(358,750)	(147,344)	3,844	(269,062)	(266,500)
Recreation	110,872	89,659	76,669	61,774	52,300	52,162	54,357	42,529	51,105	50,346
Other	369,820	388,255	631,286	573,257	613,572	1,492,653	601,266	633,079	479,694	563,687
Total	11,568,488	11,083,765	9,933,678	8,935,775	8,249,142	8,996,476	8,577,802	7,944,054	7,551,235	7,396,649
Other Financing Sources										
Loan proceeds	-	-	-	-	2,596,399	2,864,762	-	1,270,065	-	-
Operating transfers in	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	634,056	504,750	1,275,119	673,708
Total revenues and other financing sources	\$ 12,789,119	\$ 12,137,425	\$ 10,833,884	\$ 14,508,156	\$ 11,946,588	\$ 12,738,072	\$ 9,211,858	\$ 9,718,869	\$ 8,826,354	\$ 8,070,357

CITY OF MILLINGTON, TENNESSEE

GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General government	\$ 1,958,214	\$ 1,825,299	\$ 1,767,307	\$ 1,540,366	\$ 1,670,169	\$ 1,430,734	\$ 1,371,224	\$ 1,299,901	\$ 1,135,151	\$ 1,079,593
Public Safety										
Police	3,461,523	2,962,084	2,635,609	2,400,435	2,073,244	1,860,286	1,651,451	1,543,802	1,519,312	1,402,685
Fire	3,157,058	2,674,949	2,092,261	1,709,324	1,473,416	1,329,512	1,263,392	1,010,736	995,282	984,004
Total public safety	6,618,581	5,637,033	4,727,870	4,109,759	3,546,660	3,189,798	2,914,843	2,554,538	2,514,594	2,386,689
Community Services										
Recreation	819,612	705,379	636,819	687,980	716,733	653,267	645,376	603,099	554,215	539,806
Baker Community Center	204,168	157,561	145,542	119,011	47,470	41,039	44,947	43,226	42,446	40,203
Total community center	1,023,780	862,940	782,361	806,991	764,203	694,306	690,323	646,325	596,661	580,009
Transportation and Environment										
Public works	585,403	578,401	570,436	567,304	594,410	503,116	445,666	389,996	391,278	373,201
Sanitation	1,219,855	764,141	758,659	682,730	556,737	568,183	659,311	408,674	401,875	391,584
Highways and streets	785,327	675,986	641,280	598,980	504,205	540,359	608,053	866,978	1,153,063	593,117
Total transportation and environment	2,590,585	2,018,528	1,970,375	1,849,014	1,655,352	1,611,658	1,713,030	1,665,648	1,946,216	1,357,902
Special Projects										
Library roof	-	-	-	-	-	-	-	-	-	-
Base reuse	-	-	-	-	-	-	-	706	233,707	273,618
Total special projects	-	-	-	-	-	-	-	706	233,707	273,618
Capital projects	335,423	555,731	456,129	1,074,553	2,966,097	1,982,794	409,634	698,335	644,800	656,204
Debt service	639,631	653,660	629,006	5,347,381	736,281	415,334	39,156	342,866	318,607	297,455
Total expenditures	13,166,214	11,553,191	10,333,048	14,728,064	11,338,762	9,324,624	7,138,210	7,208,319	7,389,736	6,631,470
Other Financing Uses										
Operating transfers out	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	2,100,056	460,450	1,275,119	673,708
Total expenditures and other financing uses	\$ 14,386,845	\$ 12,606,851	\$ 11,233,254	\$ 20,300,445	\$ 12,439,809	\$ 10,201,458	\$ 9,238,266	\$ 7,668,769	\$ 8,664,855	\$ 7,305,178

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 155,641,650	\$ 139,290,570	\$ 132,991,630	\$ 112,662,855	\$ 100,752,280
Public utility	<u>8,534,562</u>	<u>8,178,224</u>	<u>7,210,450</u>	<u>7,247,640</u>	<u>7,247,640</u>
	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>	<u>\$ 107,999,920</u>
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Property tax rate	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>
Assessed Valuation					
Realty and personalty	\$ 99,118,613	\$ 97,669,246	\$ 81,396,325	\$ 81,484,400	\$ 80,510,265
Public utility	<u>8,046,676</u>	<u>11,443,391</u>	<u>10,993,107</u>	<u>11,350,502</u>	<u>9,794,443</u>
	<u>\$ 107,165,289</u>	<u>\$ 109,112,637</u>	<u>\$ 92,389,432</u>	<u>\$ 92,834,902</u>	<u>\$ 90,304,708</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2008

Water Rates:

<u>Gallons Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 6.00
Each additional 1,000 gallons	\$ 2.00

Sewer Rates:

<u>Based on Gallons of Water Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 6.00
Each additional 1,000 gallons	\$ 2.00

Sanitation Rates:

<u>Type</u>	<u>Monthly Charge</u>
Residential	\$ 18.00
Commercial	
1/3 dumpster or less pickup per week	\$ 18.00
1/3 to 2/3 dumpster pickup per week	\$ 36.00
Per full dumpster and per pickup in week	\$ 54.00

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED

June 30, 2008

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>
2007	\$ 24,107
2006	33,080
2005	24,635
2004	17,117
2003	22,094
2002	34,548
2001	18,966
2000	9,979
1999	-
1998	21,738

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2008

	<u>Total</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Property taxes receivable - beginning of year	\$ 2,144,137	\$ -	\$ 2,019,372	\$ 80,962	\$ 29,329	\$ 4,639	\$ 1,940	\$ 3,179	\$ 2,369	\$ 1,379	\$ 296	\$ 672
ADD:												
Tax levied:	2,083,283	2,083,283	-	-	-	-	-	-	-	-	-	-
Adjustments	12,976	-	(3,195)	16,878	(730)	-	20	-	-	-	-	3
Total Additions	<u>2,096,259</u>	<u>2,083,283</u>	<u>(3,195)</u>	<u>16,878</u>	<u>(730)</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
DEDUCT:												
Collections - Net of Refunds	(2,000,595)	-	(1,923,788)	(54,258)	(21,237)	(863)	(438)	(9)	-	(1)	-	(1)
Releases	-	-	-	-	-	-	-	-	-	-	-	-
Total Deductions	<u>(2,000,595)</u>	<u>-</u>	<u>(1,923,788)</u>	<u>(54,258)</u>	<u>(21,237)</u>	<u>(863)</u>	<u>(438)</u>	<u>(9)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Property taxes receivable - end of year	2,239,801	2,083,283	92,389	43,582	7,362	3,776	1,522	3,170	2,369	1,378	296	674
Less: Allowance for uncollectibles	(161,569)	(95,831)	(38,802)	(18,304)	(3,092)	(1,586)	(639)	(1,331)	(995)	(579)	(124)	(286)
Property taxes receivable, net	<u>\$ 2,078,232</u>	<u>\$ 1,987,452</u>	<u>\$ 53,587</u>	<u>\$ 25,278</u>	<u>\$ 4,270</u>	<u>\$ 2,190</u>	<u>\$ 883</u>	<u>\$ 1,839</u>	<u>\$ 1,374</u>	<u>\$ 799</u>	<u>\$ 172</u>	<u>\$ 388</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2008

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	402,725,000	
C	Water Purchased	3,221,160	
D	Total Water Treated and Purchased (Sum Line B and C)		405,946,160
E	Accounted for Water:		
F	Water Sold	339,130,840	
G	Metered for Consumption	-	
H	Fire Department Usage (unable to determine)	-	
I	Flushing	982,000	
J	Tank Cleaning/Filling	500,000	
K	Street Cleaning	25,200	
L	Bulk Sales	377,480	
M	Water Bill Adjustments	2,657,525	
N	Other - Amount of water sold not yet billed	15,892,845	
O	Total Accounted for Water (Sum Lines thru N)		359,565,890
P	Unaccounted for Water (Line D minus Line O)		46,380,270
Q	Percent Unaccounted for Water (Line P divided by Line D times 100)		11.425%
R	Cost per 1,000 gallons of Water		\$ 2.062
S	Cost of Unaccounted for Water (Line P divided by 1000, times Line R)		\$ 95,636



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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 30, 2008.

This report is intended solely for the information and use of the Board of Mayor and Aldermen, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins Universal, PLLC

Memphis, Tennessee
December 30, 2008