CITY OF MILLINGTON, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2007

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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 statements of budgetary comparison for the general fund and the 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, 2007, 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, 2007, 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 20, 2007 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, supplementary schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the supplementary schedule 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 statistical section 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 Uiberall, PLLC

Memphis, Tennessee
December 20, 2007

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. 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 $36,186,362 (net assets). Of this amount, $8,442,681 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by $ 247,336 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 $13,098,176. This is a decrease of $ 469,426 compared to the previous year's balance. Approximately 97% of this total amount, $12,767,283, 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 $ 7,933,108 or 88% of total general fund expenditures including transfers out.

The City's total gross debt decreased by $ 492,245 (13 %) 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.

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 17-19** 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 20-35** 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 $36,186,362 at the close of the most recent fiscal year. This is a increase of $ 247,336 from last year's net assets of $ 35,939,026.

Of the City's total net assets, seventy-three percent (73%) 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.

The following provides a summary of the City's net assets at June 30,2007:

Summary of Net Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 15,876	$ 16,242	$ (2,353)	$ (2,697)	$ 13,523	$ 13,545
Capital assets	11,137	10,789	17,567	18,243	28,704	29,032
Total assets	27,013	27,031	15,214	15,546	42,227	42,577
Long-term liabilities	3,377	3,869	-	-	3,377	3,869
Other liabilities	2,543	2,642	121	127	2,664	2,769
Total liabilities	5,920	6,511	121	127	6,041	6,638
Net assets:						
Invested in capital assets, net of related debt	11,137	9,300	16,276	16,951	27,413	26,251
Restricted	331	352	-	-	331	352
Unrestricted	9,625	10,868	(1,183)	(1,532)	8,442	9,336
Total net assets	$ 21,093	$ 20,520	$ 15,093	$ 15,419	$ 36,186	$ 35,939

The City's restricted net assets of $330,893 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $8,442,681 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

The government's net assets increased by $247,336 during the current fiscal year. Of this amount, $573,903 represented an increase in the net assets from governmental activities and $326,567 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, 2007

The following is a summary of activities for the City during the fiscal year ended June 30, 2007:

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for services	$ 2,426	$ 1,926	$ 1,906	$ 1,230	$ 4,332	$ 3,156
Operating grants and contributions	336	335			336	335
Capital grants and contributions	22	71	63	110	85	181
General revenues						
Local taxes	6,016	5,755	-	-	6,016	5,755
Intergovernmental	1,612	1,202	-	-	1,612	1,202
Interest on investments	476	420	35	42	511	462
Inc. (dec.) in fair value of invest.	10	(23)	-	-	10	(23)
Other	379	1,750	25	25	404	1,775
Transfers	-	-	-	-	-	-
Total revenues	11,277	11,436	2,029	1,407	13,306	12,843
Expenses						
General government	2,053	2,092	-	-	2,053	2,092
Public safety	5,426	4,755	-	-	5,426	4,755
Transportation and environment	2,144	866	-	-	2,144	866
Parks and recreation	919	2,020	-	-	919	2,020
Capital projects	-	-	-	-	-	-
Interest on long-term debt	161	160	-	-	161	160
Water	-	-	1,076	989	1,076	989
Sewer	-	-	1,280	1,217	1,280	1,217
Total expenses	10,703	9,893	2,356	2,206	13,059	12,099
Change in net assets	574	1,543	(327)	(799)	247	744
Net assets - beginning of year	20,520	18,977	15,419	16,218	35,939	35,195
Net assets - end of year	$ 21,094	$ 20,520	$ 15,092	$ 15,419	$ 36,186	$ 35,939

Governmental Activities

Governmental activities increased the City's net assets by $ 573,903. This increase is primarily due to

Street Improvements	$175,000
Vehicles	$141,000
New Criminal Justice Center	$138,000
Above Ground Fuel Storage Tank	$120,000

Business-Type Activities

Business-type activities decreased the City's net assets by $326,567. The key elements of this decrease are as follows:

Increase in Sewer & Water usage rates increased revenues by approximately $ 680,000.

$ 230,000 representing expenses in excess of revenues received

Revenue from Federal Grants decreased approximately $ 62,000.

Interest expense on long-term debt was $ 55,000 with interest income of $35,000.

Depreciation expense for water and sewer combined accounted for $695,000 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.

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 $13,098,176, which was a decrease of $ 469,426 in comparison with the prior year. Approximately 97% of this amount, $12,767,283, constitutes unreserved fund balance, which is available for spending at the City's discretion. Included in unreserved fund balance is $408,490 which has been designated by the Board of Aldermen for use in the related special revenue funds. $ 330,893 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 $ 469,426 are as follows:

$504,000 principal and interest payments of loans from City of Clarksville Public Building Authority through the Tennessee Municipal League

$185,000 representing revenues received in excess of expenditures.

$150,000 annual payment to YMCA (See Note 4E to financial statements on page 31)

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 $7,933,108, all of which was unreserved. The General Fund balance represents approximately 88% of the total general fund expenditures and transfers out. The fund balance of the City's General Fund increased by $ 90,960 as a result of the current year operations.

The capital projects fund has a total fund balance of $4,425,685, all of which was unreserved. The fund balance of the Capital Projects fund decreased by $ 792,220.This decrease represents needed capital expenditures in excess of other revenue received in this fund.

Nonmajor (other) governmental funds have a fund balance of $ 739,383. Of this amount, $ 408,490 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 increased by $ 231,834, due mainly to increase in DEA Fund revenues and establishing a Storm Water Fund..

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 ($3,739,416) and $2,556,816, 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, 2007, amounts to $28,704,788 (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:

Street Improvements	$175,000
Vehicles	$141,000
New Criminal Justice Center	$138,000
Above Ground Fuel Storage Tank	$120,000

Summary of Capital Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	$ 5,121	$ 5,121	$ 727	$ 727	$ 5,848	$ 5,848
Buildings and improvements	6,745	6,188	24,550	23,878	31,295	30,066
Furnishing and equipment	828	674	3,265	3,265	4,093	3,939
Vehicles	3,628	3,539	330	330	3,958	3,869
Construction in process	-	-	-	654	-	654
	16,322	15,522	28,872	28,854	45,194	44,376
Less accumulated depreciation	(5,185)	(4,733)	(11,305)	(10,611)	(16,490)	(15,344)
Total capital assets	$ 11,137	$ 10,789	$ 17,567	$ 18,243	$ 28,704	$ 29,032

Additional information on the City's capital assets can be found in Note 4 C to the financial statements on pages 28-30.

Summary of Outstanding Debt
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
YMCA Commitment	$ 980	$ 1,088	$ -	$ -	$ 980	$ 1,088
General obligation loans	2,397	2,781	-	-	2,397	2,781
Total long-term debt	$ 3,377	$ 3,869	$ -	$ -	$ 3,377	$ 3,869

Information related to the City's long-term debt can be found in Note 4 E to the financial statements on pages 31-32 of this report.

Economic Factors and Next Year's Budgets and Rates

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

Growth in commercial development of approximately 15% in FY 2007 should provide an increase in local jobs and an approximate 15% increase in local sales tax.

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

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

Inflationary trends in the region compare favorably to national indices.

At June 30, 2007, the unreserved fund balance in the general fund was $7,933,108. The City has approved a balanced General Fund operating budget of $10,613,200 for the fiscal year 2008 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, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,389,874	$ 1,067,901	$ 9,457,775
Investments - unrestricted	499,404	-	499,404
Receivables			
Property taxes	2,144,137	-	2,144,137
Beer taxes	41,419	-	41,419
Accounts	135,780	259,412	395,192
Interest	68,422	1,985	70,407
Other	60,717	(153)	60,564
Less allowance for doubtful accounts	(149,557)	(44,971)	(194,528)
Internal balances	3,675,511	(3,675,511)	-
Due from other governments	904,835	20,801	925,636
Inventory	77,260	-	77,260
Restricted cash	5,259	675	5,934
Prepaid Items	22,889	16,559	39,448
Capital assets, not being depreciated	5,120,704	726,949	5,847,653
Capital assets, being depreciated, net	6,016,617	16,840,518	22,857,135
Total assets	27,013,271	15,214,165	42,227,436
LIABILITIES			
Accounts payable	58,410	7,394	65,804
Retainage payable	-	-	-
Accrued expenses	657,432	113,229	770,661
Deferred revenue	1,790,789	-	1,790,789
Customer deposits	-	675	675
Due to other governments	36,166	-	36,166
Noncurrent liabilities:			
Due within one year	517,363	-	517,363
Due in more than one year	2,859,616	-	2,859,616
Total liabilities	5,919,776	121,298	6,041,074
NET ASSETS			
Invested in capital assets, net of related debt	11,137,321	16,275,467	27,412,788
Restricted for:			
Public safety	330,893	-	330,893
Unrestricted	9,625,281	(1,182,600)	8,442,681
Total net assets	$ 21,093,495	$ 15,092,867	$ 36,186,362

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

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	$ 2,053,121	$ 698,881	$ -	$ -	$ (1,354,240)	$ -	$ (1,354,240)
Public safety	5,425,549	706,943	17,735	22,019	(4,678,852)	-	(4,678,852)
Community services	919,473	89,659	-	-	(829,814)	-	(829,814)
Transportation and environment	2,144,099	930,964	318,014	-	(895,121)	-	(895,121)
Interest on long-term debt	161,415	-	-	-	(161,415)	-	(161,415)
Total governmental activities	10,703,657	2,426,447	335,749	22,019	(7,919,442)	-	(7,919,442)
Business-type activities:							
Water	1,076,099	796,728	-	23,450	-	(255,921)	(255,921)
Sewer	1,279,944	1,109,667	-	39,365	-	(130,912)	(130,912)
Total business-type activities:	2,356,043	1,906,395	-	62,815	-	(386,833)	(386,833)
Total primary government	$ 13,059,700	$ 4,332,842	$ 335,749	$ 84,834	(7,919,442)	(386,833)	(8,306,275)
General revenues:							
Local taxes					6,015,512	-	6,015,512
Intergovernmental					1,611,787	-	1,611,787
Interest on investments					476,430	34,988	511,418
Change in market value of investments					10,322	-	10,322
Other					379,294	25,278	404,572
Total general revenues and transfers					8,493,345	60,266	8,553,611
Change in net assets					573,903	(326,567)	247,336
Net assets - beginning					20,519,592	15,419,434	35,939,026
Net assets - ending					$ 21,093,495	$ 15,092,867	$ 36,186,362

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

CITY OF MILLINGTON, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 6,444,282	$ 924,343	$ 1,021,249	$ 8,389,874
Investments - unrestricted	-	499,404	-	499,404
Receivables				
Property taxes	2,144,137	-	-	2,144,137
Beer taxes	41,419	-	-	41,419
Accounts	-	-	135,780	135,780
Interest	56,478	10,392	1,552	68,422
Other	60,717	-	-	60,717
Less allowance for doubtful accounts	(109,470)	-	(40,087)	(149,557)
Due from other funds	1,221,149	4,099,462	175,700	5,496,311
Due from other governments	842,399	-	62,436	904,835
Inventory	77,260	-	-	77,260
Restricted cash	5,259	-	-	5,259
Prepaid items	22,889	-	-	22,889
Total assets	$ 10,806,519	$5,533,601	$ 1,356,630	$ 17,696,750
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 53,212	$ 387	$ 4,811	$ 58,410
Retainage payable	-	-	-	-
Accrued liabilities	585,682	13	71,737	657,432
Deferred revenue	2,025,766	-	-	2,025,766
Due to other governments	36,166	-	-	36,166
Due to other funds	172,585	1,107,516	540,699	1,820,800
Total liabilities	2,873,411	1,107,916	617,247	4,598,574
Fund balances:				
Reserved for:				
DEA Drug Funds	-	-	281,255	281,255
Drug Fund	-	-	49,638	49,638
Unreserved, reported in:				
General fund	7,933,108	-	-	7,933,108
Capital Improvements fund	-	4,425,685	-	4,425,685
Special revenue funds	-	-	408,490	408,490
Total fund balances	7,933,108	4,425,685	739,383	13,098,176
Total liabilities and fund balances	$ 10,806,519	$5,533,601	$ 1,356,630	$ 17,696,750

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, 2007

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

Total governmental fund balances	$ 13,098,176
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,137,321
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	234,977
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,376,979)
Net assets of governmental activities	$ 21,093,495

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, 2007

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 5,812,756	$ -	$ -	$ 5,812,756
Licenses and permits	337,907	-	-	337,907
Intergovernmental	1,611,787	-	318,014	1,929,801
Charges for services	450,633	-	930,964	1,381,597
Fines, forfeitures, and penalties	476,688	-	230,255	706,943
Federal, state and local grants	22,019	-	17,735	39,754
Interest on investments	308,761	138,795	28,874	476,430
Change in market value of investments	-	10,322	-	10,322
Other	90,963	268,054	29,238	388,255
Total revenues	9,111,514	417,171	1,555,080	11,083,765
EXPENDITURES				
Current				
General government	1,825,299	-	-	1,825,299
Public safety	5,353,914	-	148,786	5,502,700
Community services	862,940	-	-	862,940
Transportation and environment	578,401	-	1,440,127	2,018,528
Capital improvements	-	555,731	134,333	690,064
Debt Service				
Principal	-	-	492,245	492,245
Interest and fiscal charges	-	-	161,415	161,415
Total expenditures	8,620,554	555,731	2,376,906	11,553,191
Excess (deficiency) of revenues over (under) expenditures	490,960	(138,560)	(821,826)	(469,426)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,053,660	1,053,660
Transfers out	(400,000)	(653,660)	-	(1,053,660)
Total other financing sources and uses	(400,000)	(653,660)	1,053,660	-
Net change in fund balances	90,960	(792,220)	231,834	(469,426)
Fund balances - beginning	7,842,148	5,217,905	507,549	13,567,602
Fund balances - ending	$ 7,933,108	$ 4,425,685	$ 739,383	$13,098,176

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, 2007

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

Net change in fund balance - total governmental funds	$ (469,426)
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. Contributions of capital assets are not recognized in the governmental funds but are recognized as revenue when received in the statement of activities. This is the amount by which capital outlays and contributions exceeded depreciation in the current period.	348,328
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	202,756
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.	492,245
Change in net assets of governmental funds	$ 573,903

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 6,281,900	$ 6,281,900	$ 5,812,756	$ (469,144)
Licenses and permits	399,700	399,700	337,907	(61,793)
Intergovernmental	1,513,500	1,513,500	1,611,787	98,287
Charges for services	503,200	503,200	450,633	(52,567)
Fines, forfeitures, and penalties	284,000	284,000	476,688	192,688
Federal, state and local grants	-	-	22,019	22,019
Interest on investments	202,000	202,000	308,761	106,761
Other	59,300	59,300	90,963	31,663
Total revenues	9,243,600	9,243,600	9,111,514	(132,086)
EXPENDITURES				
General government	1,975,700	2,125,700	1,825,299	300,401
Public safety	5,498,200	5,498,200	5,353,914	144,286
Community services	1,028,800	1,028,800	862,940	165,860
Transportation and environment	637,000	637,000	578,401	58,599
Total expenditures	9,139,700	9,289,700	8,620,554	669,146
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	103,900	(46,100)	490,960	537,060
OTHER FINANCING SOURCES (USES)				
Transfers out	(428,000)	(428,000)	(400,000)	28,000
Net change in fund balances	$ (324,100)	$ (474,100)	90,960	$ 565,060
Fund balances - beginning of year			7,842,148	
Fund balances - end of year			$ 7,933,108	

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 – CAPITAL IMPROVEMENTS FUND

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Interest on investments	$ 54,100	$ 54,100	$ 138,795	$ 84,695
Change in market value of investments	-	-	10,322	10,322
Other	150,000	150,000	268,054	118,054
Total revenues	204,100	204,100	417,171	213,071
Expenditures:				
Capital improvements	1,175,000	1,175,000	555,731	619,269
Excess (deficiency) of revenues over expenditures	(970,900)	(970,900)	(138,560)	832,340
Other financing sources (uses):				
Transfers out	(647,200)	(647,200)	(653,660)	(6,460)
Net change in fund balance	$(1,618,100)	$(1,618,100)	(792,220)	$ 825,880
Fund balance - beginning			5,217,905	
Fund balance - ending			$ 4,425,685	

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

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

	Water Fund	Sewer Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 345,351	$ 722,550	$ 1,067,901
Receivables			
Customers	132,947	126,465	259,412
Interest	527	1,458	1,985
Other	-	(153)	(153)
Less allowance for doubtful accounts	(26,986)	(17,985)	(44,971)
Prepaid expenses	14,899	1,660	16,559
Due from other funds	3,807	596,631	600,438
Due from other governments	-	20,801	20,801
Total current assets	470,545	1,451,427	1,921,972
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	741,424	2,523,859	3,265,283
Vehicles	84,736	244,849	329,585
Construction in progress	-	-	-
Less accumulated depreciation	(3,530,910)	(7,774,255)	(11,305,165)
Total capital assets	8,400,221	9,167,246	17,567,467
Total noncurrent assets	8,400,641	9,167,501	17,568,142
Total assets	8,871,186	10,618,928	19,490,114
LIABILITIES			
Current liabilities:			
Accounts payable	6,118	1,276	7,394
Accrued expenses	60,932	52,297	113,229
Due to other funds	4,142,911	133,038	4,275,949
Customer deposits	420	255	675
Total current liabilities	4,210,381	186,866	4,397,247
NET ASSETS			
Invested in capital assets	8,400,221	7,875,246	16,275,467
Unrestricted	(3,739,416)	2,556,816	(1,182,600)
Total net assets	$ 4,660,805	$ 10,432,062	$ 15,092,867

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, 2007

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating revenues:			
Metered water sales	$ 778,716	$ -	$ 778,716
Sewer service fee	-	1,092,680	1,092,680
Service connections fees	4,200	4,200	8,400
Forfeited discounts	13,812	12,787	26,599
Other	23,341	1,937	25,278
Total operating revenues	820,069	1,111,604	1,931,673
Operating expenses:			
Administrative and general	75,399	75,753	151,152
Pumping and filtering	415,247	614,392	1,029,639
Distribution system	230,119	195,225	425,344
Depreciation	300,379	394,574	694,953
Total operating expenses	1,021,144	1,279,944	2,301,088
Operating income (loss)	(201,075)	(168,340)	(369,415)
Nonoperating revenues (expenses):			
Interest income	9,524	25,464	34,988
Interest and agent fee expense	(54,955)	-	(54,955)
Total non-operating revenues (expenses)	(45,431)	25,464	(19,967)
Income (loss) before contributions	(246,506)	(142,876)	(389,382)
Capital contributions - tap fees	23,450	18,000	41,450
Capital contributions - development fees	-	21,365	21,365
Change in net assets	(223,056)	(103,511)	(326,567)
Total net assets - beginning	4,883,861	10,535,573	15,419,434
Total net assets - ending	$ 4,660,805	$ 10,432,062	$ 15,092,867

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, 2007

	Water Fund	Sewer Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 767,525	$ 1,070,452	$ 1,837,977
Payments to suppliers	(320,605)	(349,182)	(669,787)
Payments to employees	(405,634)	(537,865)	(943,499)
Other receipts (payments)	23,341	722	24,063
Net cash provided (used) by operating activities	64,627	184,127	248,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	76,896	(44,024)	32,872
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	23,450	39,365	62,815
Acquisition and construction of capital assets	(18,951)	-	(18,951)
Net cash provided (used) by capital and related financing activities	4,499	39,365	43,864
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	9,353	24,968	34,321
Net increase (decrease) in cash and cash equivalents	155,375	204,436	359,811
Cash and cash equivalents - beginning of the year	189,976	518,114	708,090
Cash and cash equivalents - end of the year	$ 345,351	$ 722,550	$ 1,067,901
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (201,075)	$ (168,340)	$ (369,415)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	300,379	394,574	694,953
Change in assets and liabilities			
Receivables			
Customers	(29,203)	(33,906)	(63,109)
Other	-	445	445
Prepaid expenses	(1,462)	(1,660)	(3,122)
Due from other governments	-	(5,309)	(5,309)
Accounts payable	(2,665)	263	(2,402)
Accrued expenses	(1,347)	(1,940)	(3,287)
Net cash used by operating activities	$ 64,627	$ 184,127	$ 248,754

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

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 in 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 Drainage Control 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 $11,137,321 difference are as follows:

Governmental funds capital assets	$ 16,322,666
Less: accumulated depreciation	(5,185,345)
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	$ 11,137,321

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 $3,376,979 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. Contributions of capital assets are not recognized in the

governmental funds but are recognized as revenue when received in the statement of activities." The details of the $348,328 difference are as follows:

Capital outlay	$	843,592
Depreciation expense		(495,264)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$	348,328

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 $492,245 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, 2007, expenditures exceeded appropriations in the following governmental funds:

	Amount
DEA Drug Fund	$ (55,598)
Drug Fund	$ (9,521)
Debt Service Fund	$ (6,460)

These excess expenditures were funded by greater than expected revenues, operating transfers, and 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, 2007, the state street aid fund had a deficit fund balance of $62,730.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was $9,464,682 and the bank balance was $9,794,426. Of the bank balance, $300,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of $9,494,426 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 it 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 $499,404, 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	$ 2,185,556	$ -	$ -	$ -	$ -	$ 2,185,556
Interest	56,478	10,392	527	1,458	1,552	70,407
Accounts receivable	-	-	132,947	126,465	135,780	395,192
Other	60,717	-	-	(153)	-	60,564
Gross receivables	2,302,751	10,392	133,474	127,770	137,332	2,711,719
Less: allowance for doubtful accounts	(109,470)	-	(26,986)	(17,985)	(40,087)	(194,528)
Net total receivables	$ 2,193,281	$ 10,392	$ 106,488	$ 109,785	$ 97,245	$ 2,517,191

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 $12,487.

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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in governmental funds were as follows:

Property taxes receivable (general fund)	$ 2,016,323
Antenna rents received in advance (general fund)	9,443
Total deferred revenue for governmental funds	$ 2,025,766

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2007 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1. Deferred revenues included in intergovernmental receivables result primarily from various 2007 State shared revenues which are unavailable.

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 5,120,704	$ -	$ -	$ 5,120,704
Capital assets, being depreciated:				
Buildings and improvements	6,188,039	557,026	-	6,745,065
Furnishings and equipment	674,064	154,320	-	828,384
Vehicles	3,539,079	141,207	(51,773)	3,628,513
Total capital assets, being depreciated	10,401,182	852,553	(51,773)	11,201,962
Less accumulated depreciation for:				
Buildings and improvements	(2,269,782)	(166,146)	-	(2,435,928)
Furnishings and equipment	(449,872)	(78,399)	-	(528,271)
Vehicles	(2,013,239)	(250,719)	42,812	(2,221,146)
Total accumulated depreciation	(4,732,893)	(495,264)	42,812	(5,185,345)
Total capital assets, being depreciated, net	5,668,289	357,289	(8,961)	6,016,617
Governmental activities capital assets, net	$ 10,788,993	$ 357,289	$ (8,961)	$ 11,137,321

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	$ 726,949	$ -	$ -	$ 726,949
Construction in progress	653,956	18,951	(672,907)	-
Total capital assets, not being depreciated	1,380,905	18,951	(672,907)	726,949
Capital assets, being depreciated:				
Buildings and improvements	23,877,908	672,907	-	24,550,815
Furnishings and equipment	3,265,283	-	-	3,265,283
Vehicles	329,585	-	-	329,585
Total capital assets, being depreciated	27,472,776	672,907	-	28,145,683
Less accumulated depreciation for:				
Buildings and improvements	(7,670,025)	(577,972)	-	(8,247,997)
Furnishings and equipment	(2,629,099)	(105,659)	-	(2,734,758)
Vehicles	(311,088)	(11,322)	-	(322,410)
Total accumulated depreciation	(10,610,212)	(694,953)	-	(11,305,165)
Total capital assets, being depreciated, net	16,862,564	(22,046)	-	16,840,518
Business-type activity capital assets, net	$ 18,243,469	$ (3,095)	$ (672,907)	$ 17,567,467

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

Governmental Activities:	
General government	$ 55,325
Public safety	230,415
Community services	83,953
Transportation and environment	125,571
Total depreciation expense - governmental activites	$ 495,264
Business-Type Activities:	
Water	$ 300,379
Sewer	394,574
Total depreciation expense - business-type activities	$ 694,953

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 468,502
	Water	98,594
	Sewer	133,038
	Capital projects	521,015
		$ 1,221,149
Capital projects	Water	$ 4,031,072
	Nonmajor governmental	68,390
		$ 4,099,462
Nonmajor governmental	General	$ 172,585
	Water	3,115
		$ 175,700
Water	Nonmajor governmental	$ 3,807
Sewer	Capital projects	$ 586,501
	Water	10,130
		$ 596,631

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 in:		
Transfer out:	Nonmajor Governmental - State Street Aid	Nonmajor Governmental - Debt Service	Total
General fund	$ -	$ 400,000	$ 400,000
Capital projects	653,660	-	653,660
Total transfers out	$ 653,660	$ 400,000	$ 1,053,660

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 2007 was 3.74%.

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 2007 was 3.64%.

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, 2007, was as follows:

	Beginning Balance -	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 3,869,224	$ -	$ (492,245)	$ 3,376,979	$ 517,363

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

Years Ending June 30	Principal	Interest	Total
2008	$ 517,363	$ 128,494	$ 645,857
2009	543,361	108,405	651,766
2010	571,547	87,308	658,855
2011	599,727	65,122	664,849
2012	282,411	41,841	324,252
2013-2015	862,570	57,756	920,326
	$ 3,376,979	$ 488,926	$ 3,865,905

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. Copies of footnotes in PDF format can be accessed at http://www.treasury.state.tn.us/tcrs/PS/.

B. Funding Policy

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

Millington is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2007 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, 2007, Millington's annual pension cost of $810,340 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, 2005, which established contribution rates effective July 1, 2006.

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, 2007	$ 810,340	100%	$ -
June 30, 2006	$ 555,444	100%	$ -
June 30, 2005	$ 521,879	100%	$ -

Required Supplementary Information
Schedule of Funding Progress for Millington

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll ((b-a)/c)	UAAL as a % of Covered Payroll
July 1, 2005	$ 12,420,000	$ 12,480,000	$ 60,000	99.52%	$ 4,981,000	1.20%
July 1, 2003	11,551,000	11,619,000	68,000	99.41%	4,494,000	1.51%
July 1, 2001	11,153,000	11,153,000	-	100.00%	3,800,000	0.00%

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has a contract in progress for the completion of a water extension project in the amount of $72,210.

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 $63,313 for the year ended June 30, 2007.

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, 2007 were $140,132.

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	$ 1,647,600	$ 1,647,600	$ 1,661,398	$ 13,798
Beer tax	405,000	405,000	402,820	(2,180)
Business and personalty tax	365,700	365,700	453,095	87,395
Local sales tax	3,833,000	3,833,000	3,256,374	(576,626)
Interest and penalties	15,600	15,600	19,164	3,564
CATV franchise tax	15,000	15,000	19,905	4,905
Total taxes	6,281,900	6,281,900	5,812,756	(469,144)
LICENSES AND PERMITS				
Automobile stickers	174,200	174,200	188,222	14,022
Building and related permits	136,000	136,000	75,310	(60,690)
Planning and subdivision fees	16,300	16,300	12,803	(3,497)
Beer application and solicitors	2,400	2,400	2,400	-
Clerk fees	5,600	5,600	3,515	(2,085)
Liquor permits	2,500	2,500	3,350	850
Liquor inspection fee	62,700	62,700	52,307	(10,393)
Total licenses and permits	399,700	399,700	337,907	(61,793)
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales tax	718,000	718,000	753,858	35,858
Beer tax	5,600	5,600	5,601	1
Income tax	30,000	30,000	32,699	2,699
Excise tax	10,000	10,000	20,395	10,395
Mixed drinks tax	9,000	9,000	29,277	20,277
Telecommunications sales tax	1,900	1,900	1,687	(213)
Receipts in lieu of tax - TVA	75,900	75,900	86,577	10,677
Receipts in lieu of tax - Millington Housing Authority	19,500	19,500	20,950	1,450
Receipts in lieu of tax - MLGW	70,000	70,000	93,970	23,970
Shelby County - Fire	568,900	568,900	562,469	(6,431)
Shelby County - "911"	4,700	4,700	4,304	(396)
Total intergovernmental	1,513,500	1,513,500	1,611,787	98,287

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority fire protection	398,300	398,300	360,974	(37,326)
Recreation	104,900	104,900	89,659	(15,241)
Total charges for services	503,200	503,200	450,633	(52,567)
FINES FORFEITURES AND PENALTIES				
City court fines	284,000	284,000	476,688	192,688
FEDERAL, STATE AND LOCAL GRANTS	-	-	22,019	22,019
INTEREST ON INVESTMENTS	202,000	202,000	308,761	106,761
OTHER				
Vending machine and concessions	300	300	9,421	9,121
Miscellaneous	59,000	59,000	81,542	22,542
Total other	59,300	59,300	90,963	31,663
TOTAL GENERAL FUND REVENUES	$ 9,243,600	$ 9,243,600	$ 9,111,514	$ (132,086)

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
GENERAL GOVERNMENT				
General and Administrative Salaries				
Office personnel	$ 195,000	$ 195,000	$ 256,171	$ (61,171)
Officials	137,600	137,600	139,067	(1,467)
City judge	39,000	39,000	35,185	3,815
City prosecutor	15,000	15,000	14,316	684
Court personnel	96,300	96,300	91,330	4,970
Building inspector and code enforcement	276,900	276,900	186,699	90,201
Advertising	5,700	5,700	3,647	2,053
Air conditioning	7,000	7,000	2,711	4,289
Airport Authority	-	150,000	150,000	-
Chamber of Commerce	27,000	27,000	27,000	-
Compensation study	500	500	-	500
Contract labor	3,000	3,000	3,514	(514)
Engineering	30,000	30,000	2,273	27,727
Inspection	22,000	22,000	23,375	(1,375)
Insurance	121,700	121,700	103,873	17,827
Legal and professional	186,800	186,800	157,625	29,175
Library	278,000	278,000	262,713	15,287
Maintenance	32,000	32,000	31,620	380
Membership	20,300	20,300	12,801	7,499
Office supplies	14,500	14,500	18,269	(3,769)
Payroll taxes	57,400	57,400	53,550	3,850
Physical and medical	1,600	1,600	1,392	208
Public relations	14,800	14,800	10,600	4,200
Publications and flags	7,000	7,000	4,976	2,024
Repairs and maintenance	62,200	62,200	9,694	52,506
Retirement	99,000	99,000	88,393	10,607
Supplies	20,000	20,000	19,980	20
Telephone	29,500	29,500	26,674	2,826
Travel and training	30,300	30,300	23,397	6,903
Utilities	21,500	21,500	21,062	438
Administrative and other	61,600	61,600	33,458	28,142
Capital outlay - equipment purchases	62,500	62,500	9,934	52,566
Total general government	1,975,700	2,125,700	1,825,299	300,401

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries and wages	$ 1,693,800	$ 1,693,800	$ 1,691,620	$ 2,180
Payroll taxes	125,200	125,200	129,671	(4,471)
Insurance	373,900	373,900	331,282	42,618
Retirement	232,600	232,600	208,500	24,100
Telephone and utilities	37,000	37,000	49,950	(12,950)
Education and training	20,000	20,000	27,171	(7,171)
Medical	3,000	3,000	8,868	(5,868)
Repairs and maintenance	45,400	45,400	71,940	(26,540)
Supplies and other	43,400	43,400	34,296	9,104
Gas and oil	69,900	69,900	86,847	(16,947)
Uniforms	22,000	22,000	20,288	1,712
Vehicles	-	-	345	(345)
Jail expense	12,000	12,000	9,035	2,965
Recruiting	500	500	-	500
Capital outlay - equipment purchases	12,000	12,000	9,152	2,848
Total police department	2,690,700	2,690,700	2,678,965	11,735
Fire Department				
Salaries and wages	1,691,500	1,691,500	1,623,615	67,885
Payroll taxes	134,500	134,500	135,863	(1,363)
Insurance	322,700	322,700	292,561	30,139
Retirement	215,800	215,800	198,343	17,457
Ambulance service	126,900	126,900	126,856	44
Telephone and utilities	54,000	54,000	51,977	2,023
Education and training	42,000	42,000	27,801	14,199
Medical	4,000	4,000	6,984	(2,984)
Repairs and maintenance	78,500	78,500	82,213	(3,713)
Supplies and other	41,400	41,400	25,101	16,299
Gas and oil	18,700	18,700	25,663	(6,963)
Uniforms	12,000	12,000	10,050	1,950
Volunteer	4,000	4,000	4,000	-
Fire hose	3,500	3,500	1,173	2,327
Capital outlay - equipment purchases	58,000	58,000	62,749	(4,749)
Total fire department	2,807,500	2,807,500	2,674,949	132,551
Total public safety	5,498,200	5,498,200	5,353,914	144,286

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Recreation Department				
Operating Expenditures				
Salaries and wages	462,800	462,800	412,542	50,258
Payroll taxes	57,400	57,400	50,769	6,631
Insurance	70,700	70,700	66,716	3,984
Retirement	48,200	48,200	37,634	10,566
Telephone	9,100	9,100	8,944	156
Education and training	4,000	4,000	394	3,606
Utilities	12,000	12,000	20,825	(8,825)
Supplies and other	8,900	8,900	14,758	(5,858)
Medical	700	700	1,092	(392)
Repairs and maintenance	47,700	47,700	30,354	17,346
Playground supplies	13,600	13,600	15,850	(2,250)
Gas and oil	9,800	9,800	12,875	(3,075)
Uniforms	11,500	11,500	15,131	(3,631)
Trophies	2,300	2,300	-	2,300
Capital outlay - equipment purchases	81,100	81,100	17,495	63,605
Total recreation department	839,800	839,800	705,379	134,421
Baker Community Center and Civic Center				
Operating Expenditures				
Insurance	12,300	12,300	10,532	1,768
Repairs and maintenance	67,200	67,200	26,354	40,846
Supplies	7,500	7,500	11,124	(3,624)
Utilities	70,000	70,000	90,682	(20,682)
Special Events	17,000	17,000	9,502	7,498
Capital outlay - equipment purchases	15,000	15,000	9,367	5,633
Total Baker Community Center and Civic Center	189,000	189,000	157,561	31,439
Total community services	1,028,800	1,028,800	862,940	165,860

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
TRANSPORTATION AND ENVIRONMENT				
Public Works Department				
Operating expenditures				
Salaries and wages	341,100	341,100	328,927	12,173
Payroll taxes	24,200	24,200	24,044	156
Insurance	66,200	66,200	56,230	9,970
Repairs and maintenance	95,000	95,000	55,273	39,727
Retirement	45,400	45,400	40,806	4,594
Gas and oil	6,600	6,600	7,035	(435)
Medical	500	500	1,080	(580)
Office supplies	8,000	8,000	9,439	(1,439)
Supplies	500	500	723	(223)
Telephone	8,000	8,000	8,481	(481)
Training and travel	1,000	1,000	991	9
Uniforms	4,500	4,500	4,527	(27)
Utilities	14,000	14,000	17,724	(3,724)
Animal control	6,000	6,000	4,235	1,765
Capital outlay - equipment purchase	16,000	16,000	18,886	(2,886)
Total public works department	637,000	637,000	578,401	58,599
TOTAL GENERAL FUND EXPENDITURES	$ 9,139,700	$ 9,289,700	$ 8,620,554	$ 669,146

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2007

	Special Revenue Funds							
	State Street Aid Fund	Gas Inspection Fee Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Drainage Control Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	$ 91,076	$ -	$ 424,500	$ 50,093	$ 287,657	$ 167,923	$ -	$ 1,021,249
Receivables, net								
Accounts	-	-	131,139	-	-	4,641	-	135,780
Interest	-	-	814	57	395	286	-	1,552
Less allowance	-	-	(38,779)	-	-	(1,308)	-	(40,087)
Due from other funds	-	172,585	-	-	-	3,115	-	175,700
Due from other governments	52,214	-	-	-	10,222	-	-	62,436
Total assets	$ 143,290	$ 172,585	$ 517,674	$ 50,150	$ 298,274	$ 174,657	$ -	$ 1,356,630
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 714	$ -	$ 3,554	$ 512	$ 31	$ -	$ -	$ 4,811
Accrued payroll and vacation	32,245	-	39,492	-	-	-	-	71,737
Due to other funds	173,061	-	350,650	-	16,988	-	-	540,699
Total liabilities	206,020	-	393,696	512	17,019	-	-	617,247
Fund balances:								
Reserved	-	-	-	49,638	281,255	-	-	330,893
Unreserved	(62,730)	172,585	123,978	-	-	174,657	-	408,490
Total fund balances	(62,730)	172,585	123,978	49,638	281,255	174,657	-	739,383
Total liabilities and fund balances	$ 143,290	$ 172,585	$ 517,674	$ 50,150	$ 298,274	$ 174,657	$ -	$ 1,356,630

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2007

	Special Revenue Funds							
	State Street Aid Fund	Gasoline Inspection Fee Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Drainage Control Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES								
State gasoline tax (local share)	$ 295,029	$ -	$ -	$ -	$ -	$ -	$ -	$ 295,029
Gasoline inspection fee (local share)	-	22,985	-	-	-	-	-	22,985
Federal grant	-	-	-	-	17,735	-	-	17,735
Fees	-	-	760,251	-	-	170,713	-	930,964
Interest on investments	-	-	13,414	1,552	13,009	899	-	28,874
Fines and confiscations	-	-	-	43,904	-	-	-	43,904
DEA federal shared proceeds	-	-	-	-	186,351	-	-	186,351
Other	-	-	24,885	-	-	4,353	-	29,238
Total revenues	295,029	22,985	798,550	45,456	217,095	175,965	-	1,555,080
EXPENDITURES								
Public Safety								
Drug abuse	-	-	-	56,521	-	-	-	56,521
DEA Drug	-	-	-	-	92,265	-	-	92,265
Transportation and Environment								
Street department	646,921	18,201	-	-	-	1,308	-	666,430
Street improvements	9,556	-	-	-	-	-	-	9,556
Solid waste control	-	-	764,141	-	-	-	-	764,141
Capital outlays	-	-	-	-	134,333	-	-	134,333
Debt service - principal							492,245	492,245
Debt service - interest and fiscal charges	-	-	-	-	-	-	161,415	161,415
Total expenditures	656,477	18,201	764,141	56,521	226,598	1,308	653,660	2,376,906
Excess (deficiency) of revenues over expenditures	(361,448)	4,784	34,409	(11,065)	(9,503)	174,657	(653,660)	(821,826)
OTHER FINANCING SOURCES (USES)								
Transfers in	400,000	-	-	-	-	-	653,660	1,053,660
Net change in fund balances	38,552	4,784	34,409	(11,065)	(9,503)	174,657	-	231,834
Fund balances - beginning	(101,282)	167,801	89,569	60,703	290,758	-	-	507,549
Fund balances - ending	$ (62,730)	$ 172,585	$ 123,978	$ 49,638	$ 281,255	$ 174,657	$ -	$ 739,383

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	$ 289,700	$ 289,700	$ 295,029	$ 5,329
Other	-	-	-	-
Total revenues	289,700	289,700	295,029	5,329
Expenditures:				
Street Department				
Salaries	279,100	279,100	252,817	26,283
Insurance	81,600	81,600	67,163	14,437
Payroll taxes	19,400	19,400	17,360	2,040
Repairs and maintenance	31,000	31,000	47,175	(16,175)
Retirement	36,000	36,000	31,242	4,758
Street lights	150,000	150,000	139,297	10,703
Supplies	45,300	45,300	40,242	5,058
Uniforms	4,000	4,000	3,617	383
Other	5,200	5,200	48,008	(42,808)
Street improvements	15,000	15,000	9,556	5,444
Capital outlays	51,100	51,100	-	51,100
Total expenditures	717,700	717,700	656,477	61,223
Excess (deficiency) of revenues over expenditures	(428,000)	(428,000)	(361,448)	66,552
Other financing sources (uses):				
Transfers in	428,000	428,000	400,000	(28,000)
Net change in fund balance	$ -	$ -	38,552	$ 38,552
Fund balance - beginning			(101,282)	
Fund balance - ending			$ (62,730)	

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, 2007

	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	$ 22,985	$ (215)
Expenditures:				
Street Department				
Repairs and maintenance	23,200	23,200	18,201	4,999
Net change in fund balance	$ -	$ -	4,784	$ 4,784
Fund balance - beginning			167,801	
Fund balance - ending			$ 172,585	

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Commercial fees	$ 209,600	$ 209,600	$ 176,816	$ (32,784)
Residential fees	565,300	565,300	583,435	18,135
Interest on investments	9,000	9,000	13,414	4,414
Other	19,900	19,900	24,885	4,985
Total revenues	803,800	803,800	798,550	(5,250)
Expenditures:				
Salaries	409,300	409,300	404,558	4,742
Insurance	128,700	128,700	116,260	12,440
Payroll taxes	28,900	28,900	28,096	804
Retirement	54,400	54,400	50,836	3,564
Gas and oil	37,700	37,700	41,154	(3,454)
Sanitation disposal fees	55,600	55,600	40,293	15,307
Repairs and maintenance	70,000	70,000	59,411	10,589
Administrative and other	19,200	19,200	23,533	(4,333)
Capital outlays	-	-	-	-
Total expenditures	803,800	803,800	764,141	39,659
Excess (deficiency) of revenues over expenditures	-	-	34,409	34,409
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balance	$ -	$ -	34,409	$ 34,409
Fund balance - beginning			89,569	
Fund balance - ending			$ 123,978	

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines and confiscations	$ 45,000	$ 45,000	$ 43,904	$ (1,096)
Interest on investments	2,000	2,000	1,552	(448)
Other	-	-	-	-
Total revenues	47,000	47,000	45,456	(1,544)
Expenditures:				
Undercover operations	31,900	31,900	31,900	-
Educational materials	3,000	3,000	4,645	(1,645)
Supplies and other	10,100	10,100	19,832	(9,732)
Telephone	2,000	2,000	144	1,856
Capital outlays	-	-	-	-
Total expenditures	47,000	47,000	56,521	(9,521)
Net change in fund balance	$ -	$ -	(11,065)	$ (11,065)
Fund balance - beginning			60,703	
Fund balance - ending			$ 49,638	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
DEA DRUG FUND				
Revenues:				
DEA shared proceeds	$ 147,000	$ 147,000	$ 186,351	$ 39,351
Federal grant	14,000	14,000	17,735	3,735
Interest on investments	10,000	10,000	13,009	3,009
Total revenues	171,000	171,000	217,095	46,095
Expenditures:				
DEA overtime expenses	14,000	14,000	17,735	(3,735)
Building renovations	-	-	1,285	(1,285)
Supplies and other	6,700	6,700	73,245	(66,545)
Telephone	-	-	-	-
Capital outlays	150,300	150,300	134,333	15,967
Total expenditures	171,000	171,000	226,598	(55,598)
Net change in fund balance	$ -	$ -	(9,503)	$ (9,503)
Fund balance - beginning			290,758	
Fund balance - ending			$ 281,255	

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
DRAINAGE CONTROL FUND				
Revenues:				
Commercial fees	$ 288,000	$ 288,000	$ 116,458	$ (171,542)
Residential fees	64,500	64,500	54,255	(10,245)
Interest on investments	-	-	899	899
Other	-	-	4,353	4,353
Total revenues	352,500	352,500	175,965	(176,535)
Expenditures:				
Salaries, operations, and maintenance	78,600	78,600	1,308	77,292
Total expenditures	78,600	78,600	1,308	77,292
Net change in fund balance	$ 273,900	$ 273,900	174,657	$ (99,243)
Fund balance - beginning			-	
Fund balance - ending			$ 174,657	

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Expenditures:				
Principal retirement	$ 490,200	$ 490,200	$ 492,245	$ (2,045)
Agents fees	4,600	4,600	4,509	91
Interest expense	152,400	152,400	156,906	(4,506)
Total expenditures	647,200	647,200	653,660	(6,460)
Other Financing Sources:				
Transfers in	647,200	647,200	653,660	6,460
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2007

CFDA Number	Grantor Agency	Balance June 30, 2006	Cash Receipts	Expenditures	Balance June 30, 2007
16.710	U.S. Department of Justice Public Safety and Community Drug Enforcement	$ 10,275	$ 10,275	$ -	$ -
16.592	U.S. Department of Justice Local Law Enforcement Block Grant	-	-	-	-
14.218	U.S. Department of Housing and Urban Development Pass-thru program from Shelby County, TN: Economic Development Administration - Public Works and Economic Development	-	21,361	21,361	-
Total Federal Awards		$ 10,275	$ 31,636	$ 21,361	$ -

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICERS

For the Year Ended June 30, 2007

	Annual Salary	Amount of Bond	Surety
Mayor	$ 58,366	$ 100,000	Continental Insurance Company
City Clerk	53,690	100,000	Continental Insurance Company
Account Clerk	30,524	100,000	Continental Insurance Company
City Court Clerk	29,666	25,000	Continental Insurance Company

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2007

Insurance Company	# Property Covered	Type of Coverage	Coverage	Expires
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 Auto liability Errors and omissions (public officials) Police liability	$ 600,000 600,000 1,000,000 600,000	2/13/2010
TML Risk Management		Workmen's compensation	1,000,000 (per occurance)	2/13/2008
TML Risk Management		Employee dishonesty	100,000	2/13/2009
Continental Insurance Company		Public employees blanket bond	50,000	3/20/2008

(a) TML Risk Management insurance consisting of a $47,263,561 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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Local taxes	$ 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	$ 3,055,868
State taxes (local share)	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	1,780,375
Federal and state grants	39,754	89,150	250,743	236,027	314,291	9,461	9,212	176,391	222,299	951,075
Fines and forfeitures	706,943	375,089	342,517	195,092	174,063	225,940	187,439	205,334	199,849	241,331
Licenses, permits and fees	1,629,845	1,122,546	984,916	956,290	857,928	815,044	610,829	595,704	580,537	455,913
Interest on investments	476,430	420,477	313,033	332,647	667,086	711,008	953,431	876,505	815,560	837,558
Increase (decrease) in fair value of investments	10,322	(22,727)	(3,538)	(165,281)	(358,750)	(147,344)	3,844	(269,062)	(266,500)	69,188
Recreation	89,659	76,669	61,774	52,300	52,162	54,357	42,529	51,105	50,346	48,770
Other	388,255	631,286	573,257	613,572	1,492,653	601,266	633,079	479,694	563,687	343,190
Total	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	7,783,268
Other Financing Sources										
Loan proceeds	-	-	-	2,596,399	2,864,762	-	1,270,065	-	-	-
Operating transfers in	1,053,660	900,206	5,572,381	1,101,047	876,834	634,056	504,750	1,275,119	673,708	520,899
Total revenues and other financing sources	$ 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	$ 8,304,167

CITY OF MILLINGTON, TENNESSEE

GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government	$ 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	$ 951,544
Public Safety										
Police	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	1,383,016
Fire	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	807,679
Total public safety	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	2,190,695
Community Services										
Recreation	705,379	636,819	687,980	716,733	653,267	645,376	603,099	554,215	539,806	498,216
Baker Community Center	157,561	145,542	119,011	47,470	41,039	44,947	43,226	42,446	40,203	46,186
Total community center	862,940	782,361	806,991	764,203	694,306	690,323	646,325	596,661	580,009	544,402
Transportation and Environment										
Public works	578,401	570,436	567,304	594,410	503,116	445,666	389,996	391,278	373,201	337,371
Sanitation	764,141	758,659	682,730	556,737	568,183	659,311	408,674	401,875	391,584	449,396
Highways and streets	675,986	641,280	598,980	504,205	540,359	608,053	866,978	1,153,063	593,117	476,863
Total transportation and environment	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	1,263,630
Special Projects										
Library roof	-	-	-	-	-	-	-	-	-	62,850
Base reuse	-	-	-	-	-	-	706	233,707	273,618	249,564
Total special projects	-	-	-	-	-	-	706	233,707	273,618	312,414
Capital projects	555,731	456,129	1,074,553	2,966,097	1,982,794	409,634	698,335	644,800	656,204	2,053,642
Debt service	653,660	629,006	5,347,381	736,281	415,334	39,156	342,866	318,607	297,455	310,805
Total expenditures	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	7,627,132
Other Financing Uses										
Operating transfers out	1,053,660	900,206	5,572,381	1,101,047	876,834	2,100,056	460,450	1,275,119	673,708	520,899
Total expenditures and other financing uses	$ 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	$ 8,148,031

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	2007	2006	2005	2004	2003
Property tax rate	$ 1.23	$ 1.23	$ 1.23	$ 1.23	$ 1.23
Assessed Valuation					
Realty and personalty	$ 139,290,570	$ 132,991,630	$ 112,662,855	$ 100,752,280	$ 99,118,613
Public utility	8,178,224	7,210,450	7,247,640	7,247,640	8,046,676
	$ 147,468,794	$ 140,202,080	$ 119,910,495	$ 107,999,920	$ 107,165,289

	2002	2001	2000	1999	1998
Property tax rate	$ 1.23	$ 0.92	$ 0.92	$ 0.92	$ 1.10
Assessed Valuation					
Realty and personalty	$ 97,669,246	$ 81,396,325	$ 81,484,400	$ 80,510,265	$ 58,115,790
Public utility	11,443,391	10,993,107	11,350,502	9,794,443	8,254,528
	$ 109,112,637	$ 92,389,432	$ 92,834,902	$ 90,304,708	$ 66,370,318

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2007

Water Rates:

Gallons Used	Rate
First 2,000 gallons	$ 6.00
Each additional 1,000 gallons or part thereof	$ 2.00

Sewer Rates:

Based on Gallons of Water Used	Rate
First 2,000 gallons	$ 6.00
Each additional 1,000 gallons or part thereof	$ 2.00

Sanitation Rates:

Type	Monthly Charge
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, 2007

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:

Year of Levy	Amount
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
1997	27,566

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2007

	Total	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Property taxes receivable - beginning of year	$ 1,934,519	$ -	$ 1,829,943	$ 70,945	$ 18,406	$ 4,387	$ 4,454	$ 3,239	$ 1,578	$ 624	$ 533	$ 410
ADD:												
Tax levied:	$ 2,019,372	2,019,372	-	-	-	-	-	-	-	-	-	-
Adjustments	(21,410)	-	(6,889)	(9,081)	(836)	(1,021)	(2,175)	(672)	(168)	(321)	(176)	(71)
Total Additions	1,997,962	2,019,372	(6,889)	(9,081)	(836)	(1,021)	(2,175)	(672)	(168)	(321)	(176)	(71)
DEDUCT:												
Collections - Net of Refunds	(1,788,344)	-	(1,742,092)	(32,535)	(12,931)	(1,426)	900	(198)	(31)	(7)	(24)	-
Releases	-	-	-	-	-	-	-	-	-	-	-	-
Total Deductions	(1,788,344)	-	(1,742,092)	(32,535)	(12,931)	(1,426)	900	(198)	(31)	(7)	(24)	-
Property taxes receivable - end of year	2,144,137	2,019,372	80,962	29,329	4,639	1,940	3,179	2,369	1,379	296	333	339
Less: Allowance for uncollectibles	(109,470)	(80,775)	(18,621)	(6,746)	(1,067)	(446)	(731)	(545)	(317)	(68)	(77)	(77)
Property taxes receivable, net	$ 2,034,667	$ 1,938,597	$ 62,341	$ 22,583	$ 3,572	$ 1,494	$ 2,448	$ 1,824	$ 1,062	$ 228	$ 256	$ 262

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2007. 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 20, 2007.

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.

Memphis, Tennessee
December 20, 2007

Watkins Uiberall, PLLC