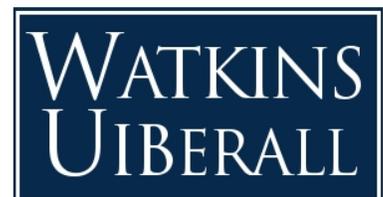


CITY OF MILLINGTON, TENNESSEE
FINANCIAL STATEMENTS

June 30, 2010



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

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INDEPENDENT AUDITOR'S REPORT

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

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 sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund and sanitation 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 27, 2010, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining nonmajor fund financial statements and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information shown on pages 38 to 53 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The supplementary information shown on pages 54 to 62 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 27, 2010

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The management of the City of Millington (City) presents this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with information in the basic financial statements, which follow in this section.

Accounting principles generally accepted in the United States of America for governmental entities are established by the Governmental Accounting Standards Board (GASB). This annual financial report uses the standards established by the GASB's Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. The City follows all GASB standards in addition to Statement No. 34 as well as other authoritative literature known collectively within the accounting profession as "generally accepted accounting principles."

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$34,437,485 (net assets). Of this amount, \$8,324,751 may be used to meet the City's ongoing obligations to citizens and creditors. The City implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions which reduced net assets by \$1,123,717.

The City's total net assets increased by \$ 213,260 from the previous year, including a prior period adjustment of \$ 183,451.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$14,658,171. This is an decrease of \$1,037,039 compared to the previous year's balance, net of a prior period adjustment of \$183,451. Approximately 98.7% of this total amount, \$14,469,622, 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 \$ 6,651,802 or 64% of total general fund expenditures including transfers out.

The City's principal payments on debt were \$ 571,547 during the current fiscal year.

The City, as well as major portions of the county and the state, experienced a major flood from record rain in May 2010. The City and its residents showed their community spirit in working together to assist all in need. The City incurred significant costs in clean-up efforts and also forgave water and bills for May usage for all flooded properties. The City's insurance carrier, as well as federal and state emergency management agencies, will be reimbursing the City for significant portions of the costs incurred.

More details on these highlights and other information are in the remainder of this discussion and analysis.

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.).

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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 two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the 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. Six (6) 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, sanitation fund, capital improvements 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 and sanitation 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) 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 20-37 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 and sanitation fund are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 45 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 \$34,437,785 at the close of the most recent fiscal year. This is an increase of \$ 213,260 from last year's net assets of \$ 34,224,225, including a prior period adjustment of \$ 183,451.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Of the City's total net assets, seventy-five percent (75%) is reflected in investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt incurred to acquire those assets that are 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 for the City's net assets at June 30, 2010:

Summary of Net Assets
(dollars expressed in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 19,340	\$ 18,947	\$ (1,480)	\$ (2,251)	\$ 17,860	\$ 16,696
Capital assets	<u>12,802</u>	<u>11,320</u>	<u>16,228</u>	<u>16,803</u>	<u>29,030</u>	<u>28,123</u>
Total assets	<u>32,142</u>	<u>30,267</u>	<u>14,748</u>	<u>14,552</u>	<u>46,890</u>	<u>44,819</u>
Long-term liabilities	8,379	7,291	149		8,528	7,291
Other liabilities	<u>3,746</u>	<u>3,148</u>	<u>179</u>	<u>156</u>	<u>3,925</u>	<u>3,304</u>
Total liabilities	<u>12,125</u>	<u>10,439</u>	<u>328</u>	<u>156</u>	<u>12,453</u>	<u>10,595</u>
Net assets:						
Invested in capital assets, net of related debt	9,697	9,753	16,227	16,803	25,924	26,556
Restricted	188	131	-	-	188	131
Unrestricted	<u>10,132</u>	<u>9,943</u>	<u>(1,807)</u>	<u>(2,406)</u>	<u>8,325</u>	<u>7,537</u>
Total net assets	<u>\$20,017</u>	<u>\$19,827</u>	<u>\$14,420</u>	<u>\$14,397</u>	<u>\$34,437</u>	<u>\$ 34,224</u>

The City's restricted net assets of \$188,549 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$8,324,751 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by \$ 29,809 during the current fiscal year, excluding an adjustment of \$183,451 to beginning net assets. Of this amount, \$ 6,129 represented an increase in the net assets from governmental activities and \$ 23,680 represented an increase in the net assets from business-type activities.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The following is a summary of activities for the City during the fiscal year ended June 30, 2010:

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Program Revenues						
Charges for services	\$ 2,721	\$ 2,412	\$ 2,547	\$ 2,076	\$ 5,268	\$ 4,488
Operating grants and contributions	1,166	305	-	-	1,166	305
Capital grants and contributions	855	173	8	9	863	182
General revenues						
Local taxes	6,313	5,955	-	-	6,313	5,955
Intergovernmental	1,979	2,022	-	-	1,979	2,022
Interest on investments	154	156	9	18	163	174
Inc. (dec.) in fair value of invest.	-	1	-	-	-	1
Other	506	397	49	16	555	413
Transfers	-	-	-	-	-	-
Total revenues	<u>13,694</u>	<u>11,421</u>	<u>2,613</u>	<u>2,119</u>	<u>16,307</u>	<u>13,540</u>
Expenses						
General government	2,164	1,955	-	-	2,164	1,955
Public safety	6,933	6,504	-	-	6,933	6,504
Transportation and environment	2,984	2,340	-	-	2,984	2,340
Community Services	1,420	1,079	-	-	1,420	1,079
Capital projects	-	-	-	-	-	-
Interest on long-term debt	187	73	-	-	187	73
Water	-	-	1,157	1,088	1,157	1,088
Sewer	-	-	1,433	1,364	1,433	1,364
Total expenses	<u>13,688</u>	<u>11,951</u>	<u>2,590</u>	<u>2,452</u>	<u>16,278</u>	<u>14,403</u>
Change in net assets	6	(580)	23	(333)	29	(913)
Net assets - beginning, as previously reported	19,827	20,407	14,397	14,730	34,224	35,137
Prior period adjustment	184	-	-	-	184	-
Net assets - beginning as restated	<u>20,011</u>	<u>20,407</u>	<u>14,397</u>	<u>14,730</u>	<u>34,408</u>	<u>35,137</u>
Net assets - end of year	<u>\$ 20,017</u>	<u>\$ 19,827</u>	<u>\$ 14,420</u>	<u>\$ 14,397</u>	<u>\$ 34,437</u>	<u>\$ 34,224</u>

Governmental Activities

Governmental activities increased the City's net assets by \$ 6,129.

Business-Type Activities

Business-type activities increased the City's net assets by \$23,680.

Financial Analysis of the City's Funds

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

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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's governmental funds reported combined ending fund balances of \$14,658,171, which was a decrease of \$1,220,490 in comparison with the prior year, as restated. Approximately 98.7% of this amount, \$14,469,622, constitutes unreserved fund balance, which is available for spending at the City's discretion.

The key elements of the decrease of \$1,220,490 are as follows:

- \$ 182,000 increase in overtime
- \$ 431,000 flood expenditures incurred but not yet reimbursed by FEMA, TEMA or Insurance.
- \$ 346,000 due from State for reimbursement of ARRA and road construction Grants.

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 \$6,651,802, all of which was unreserved. The General Fund balance represents approximately 64% of the total general fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$ 234,881 as a result of the current year operations.

The sanitation fund is a special revenue fund of the City. At the end of the current fiscal year, the fund balance of the Sanitation Fund was a negative \$ 438,857. The fund balance decreased \$ 195,633 as a result of current year operations. Without the costs related to the May 2010 flood, current year revenues and expenditures would have been approximately equal.

The capital improvements fund has a total fund balance of \$7,695,715, all of which was unreserved. The fund balance of the capital improvements fund decreased by \$ 720,394. This decrease represents the expenditures for Veterans Parkway and other needed capital expenditures. Fund balance includes prior year revenues intended to fund the current year projects.

Nonmajor (other) governmental funds have a fund balance of \$ 749,511. Of this amount, \$ 560,962 is unreserved but board designated for special revenue fund expenditures. The remaining balance is reserved due to restrictions imposed by outside sources. The combined fund balance for all nonmajor governmental funds decreased by \$ 69,582. Most of the nonmajor (other) governmental funds had a positive net change in their fund balances. The storm water fund purchased several pieces of heavy equipment which resulted in a decrease in the fund balance.

Proprietary Funds

The City implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions which increased expenses by \$54,000 in the water fund and by \$94,779 in the sewer fund. In addition the water fund and sewer fund forgave billings to properties flooded out in May 2010, which resulted in lost revenues of \$12,500 and \$8,864, respectively. The water fund net assets decreased by \$33,820 as a result of these two factors while the sewer fund was still able to show an increase of \$56,960 in net assets. Unrestricted net assets of the water and sewer funds at the end of the year amounted to (\$3,325,947) and \$1,518,803, respectively. The City implemented water and sewer system rate increases in April 2010 to improve the results of operations and net assets for both of these funds in the future.

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, 2010, amounts to \$29,029,687 (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:

Land	\$506,579
Construction & Improvements	\$974,657
Buildings & Improvements	\$175,366
Furnishings & Equipment	\$24,095
Vehicles	\$119,237
Water and Sewer Plant Additions	\$66,724

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Summary of Capital Assets
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 5,627	\$ 5,121	\$ 727	\$ 727	\$ 6,354	\$ 5,848
Buildings and improvements	7,542	7,366	24,639	24,690	32,181	32,056
Furnishing and equipment	931	907	3,801	3,688	4,732	4,595
Vehicles	3,860	3,741	446	441	4,306	4,182
Construction in process	975	-	-	-	975	-
	18,935	17,135	29,613	29,546	48,548	46,681
Less accumulated depreciation	(6,133)	(5,816)	(13,385)	(12,743)	(19,518)	(18,559)
Total capital assets	\$ 12,802	\$ 11,319	\$ 16,228	\$ 16,803	\$ 29,030	\$ 28,122

Additional information on the City's capital assets can be found in Note 4 C to the financial statements on pages 29-30.

Summary of Outstanding Debt
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
YMCA Commitment	\$ 625	\$ 749	\$ -	\$ -	\$ 625	\$ 749
General obligation loans	6,108	6,542	-	-	6,108	6,542
Net post employment benefit obligation	975	-	149	-	1,124	-
Millington library exchange	671	-	-	-	671	-
Total long-term liabilities	\$ 8,379	\$ 7,291	\$ 149	\$ -	\$ 8,528	\$ 7,291

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 2010-2011 fiscal year are discussed fully in the budget document and include the following:

Base water rates increased \$1.50 and usage rate increased \$0.60 per 1000 gallons.

Base sewer rates increased \$1.00 and usage rate increased \$0.30 per 1000 gallons.

Additional revenues generated from citations issued as a result of ticketing systems using red light cameras and speed van cameras.

Cost of living adjustment for employees following no increase in the year ended June 30, 2010.

Increased funding for Quality of Life programs and cost containment in other services.

At June 30, 2010, the unreserved fund balance in the general fund was \$6,651,802. The City has approved a balanced General Fund operating budget of \$10,580,412 for the fiscal year 2010-2011 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, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 10,752,013	\$ 1,819,342	\$ 12,571,355
Receivables			
Property taxes	2,590,340	-	2,590,340
Beer taxes	48,746	-	48,746
Accounts	96,720	429,674	526,394
Interest	2,027	269	2,296
Other	249,176	21,479	270,655
Less allowance for doubtful accounts	(272,829)	(91,305)	(364,134)
Internal balances	3,781,277	(3,781,277)	-
Due from other governments	1,761,951	54,390	1,816,341
Inventory	46,347	-	46,347
Restricted cash	14,861	635	15,496
Prepaid Items	268,971	67,806	336,777
Capital assets, not being depreciated	6,601,940	726,949	7,328,889
Capital assets, being depreciated, net	6,200,198	15,500,600	21,700,798
Total assets	<u>32,141,738</u>	<u>14,748,562</u>	<u>46,890,300</u>
LIABILITIES			
Accounts payable	376,222	24,920	401,142
Accrued expenses	1,083,240	153,823	1,237,063
Deferred revenue	2,253,524	-	2,253,524
Customer deposits	-	635	635
Due to other governments	32,721		32,721
Noncurrent liabilities:			
Due within one year	5,599,727	-	5,599,727
Due in more than one year	2,779,224	148,779	2,928,003
Total liabilities	<u>12,124,658</u>	<u>328,157</u>	<u>12,452,815</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,696,636	16,227,549	25,924,185
Restricted for:			
Public safety	188,549	-	188,549
Unrestricted	10,131,895	(1,807,144)	8,324,751
Total net assets	<u>\$ 20,017,080</u>	<u>\$ 14,420,405</u>	<u>\$ 34,437,485</u>

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

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	\$ 2,163,708	\$ 620,290	\$ 41,671	\$ -	\$ (1,501,747)	\$ -	\$ (1,501,747)
Public safety	6,932,752	788,423	824,175	-	(5,320,154)	-	(5,320,154)
Community services	1,420,152	273,334	-	91,200	(1,055,618)	-	(1,055,618)
Transportation and environment	2,983,967	1,039,198	299,507	764,092	(881,170)	-	(881,170)
Interest on long-term debt	187,101	-	-	-	(187,101)	-	(187,101)
Total governmental activities	<u>13,687,680</u>	<u>2,721,245</u>	<u>1,165,353</u>	<u>855,292</u>	<u>(8,945,790)</u>	<u>-</u>	<u>(8,945,790)</u>
Business-type activities:							
Water	1,156,740	1,084,112	-	5,850	-	(66,778)	(66,778)
Sewer	1,432,509	1,463,234	-	2,500	-	33,225	33,225
Total business-type activities:	<u>2,589,249</u>	<u>2,547,346</u>	<u>-</u>	<u>8,350</u>	<u>-</u>	<u>(33,553)</u>	<u>(33,553)</u>
Total primary government	<u>\$ 16,276,929</u>	<u>\$ 5,268,591</u>	<u>\$ 1,165,353</u>	<u>\$ 863,642</u>	<u>(8,945,790)</u>	<u>(33,553)</u>	<u>(8,979,343)</u>
General revenues:							
Local taxes					6,313,001	-	6,313,001
Intergovernmental					1,979,191	-	1,979,191
Interest on investments					154,129	8,619	162,748
Other					505,598	48,614	554,212
Total general revenues and transfers					<u>8,951,919</u>	<u>57,233</u>	<u>9,009,152</u>
Change in net assets					6,129	23,680	29,809
Net assets - beginning, as previously reported					19,827,500	14,396,725	34,224,225
Prior period adjustment					183,451	-	183,451
Net assets - beginning, as restated					<u>20,010,951</u>	<u>14,396,725</u>	<u>34,407,676</u>
Net assets - ending					<u>\$ 20,017,080</u>	<u>\$ 14,420,405</u>	<u>\$ 34,437,485</u>

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

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

	General Fund	Special Revenue Sanitation Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,982,870	\$ 217,033	\$ 4,897,706	\$ 654,404	\$ 10,752,013
Receivables					
Property taxes	2,590,340	-	-	-	2,590,340
Beer taxes	48,746	-	-	-	48,746
Accounts	-	96,720	-	-	96,720
Interest	1,863	37	4	123	2,027
Other	214,283	18,821	-	16,072	249,176
Less allowance for doubtful accounts	(204,486)	(60,246)	-	(8,097)	(272,829)
Due from other funds	1,627,113	-	4,159,189	164,975	5,951,277
Due from other governments	952,426	412,690	345,919	50,916	1,761,951
Inventory	46,347	-	-	-	46,347
Restricted cash	14,861	-	-	-	14,861
Prepaid items	221,772	21,965	-	25,234	268,971
Total assets	\$ 10,496,135	\$ 707,020	\$ 9,402,818	\$ 903,627	\$ 21,509,600
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 178,388	\$ 19,910	\$ 162,320	\$ 15,604	\$ 376,222
Accrued liabilities	905,072	131,311	13	46,844	1,083,240
Deferred revenue	2,569,504	431,511	172,159	16,072	3,189,246
Due to other governments	32,721	-	-	-	32,721
Due to other funds	158,648	563,145	1,372,611	75,596	2,170,000
Total liabilities	3,844,333	1,145,877	1,707,103	154,116	6,851,429
Fund balances:					
Reserved for:					
DEA Drug Funds	-	-	-	117,079	117,079
Drug Fund	-	-	-	71,470	71,470
Unreserved, reported in:					
General fund	6,651,802	-	-	-	6,651,802
Capital Improvements fund	-	-	7,695,715	-	7,695,715
Special revenue funds	-	(438,857)	-	560,962	122,105
Total fund balances	6,651,802	(438,857)	7,695,715	749,511	14,658,171
Total liabilities and fund balances	\$ 10,496,135	\$ 707,020	\$ 9,402,818	\$ 903,627	\$ 21,509,600

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, 2010

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

Total governmental fund balances	\$ 14,658,171
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,802,138
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	935,722
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,378,951)</u>
Net assets of governmental activities	<u>\$ 20,017,080</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	General Fund	Special Revenue Sanitation Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,279,618	\$ -	\$ -	\$ -	\$ 6,279,618
Licenses and permits	309,469	-	-	-	309,469
Intergovernmental	1,979,191	-	-	299,507	2,278,698
Charges for services	584,155	796,517	-	242,681	1,623,353
Fines, forfeitures, and penalties	661,846	-	-	126,577	788,423
Federal, state and local grants	41,671	-	764,092	-	805,763
Interest on investments	44,230	1,641	104,388	3,870	154,129
Other	278,078	22,033	208,664	22,533	531,308
Total revenues	<u>10,178,258</u>	<u>820,191</u>	<u>1,077,144</u>	<u>695,168</u>	<u>12,770,761</u>
EXPENDITURES					
Current					
General government	1,857,509	-	-	-	1,857,509
Public safety	6,228,095	-	-	87,756	6,315,851
Community services	1,112,695	-	-	-	1,112,695
Transportation and environment	648,930	1,015,824	-	1,048,994	2,713,748
Capital improvements	-	-	1,245,844	-	1,245,844
Debt Service					
Principal	-	-	-	571,547	571,547
Interest and fiscal charges	-	-	130,200	43,857	174,057
Total expenditures	<u>9,847,229</u>	<u>1,015,824</u>	<u>1,376,044</u>	<u>1,752,154</u>	<u>13,991,251</u>
Excess (deficiency) of revenues over (under) expenditures	331,029	(195,633)	(298,900)	(1,056,986)	(1,220,490)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	193,910	987,404	1,181,314
Transfers out	<u>(565,910)</u>	<u>-</u>	<u>(615,404)</u>	<u>-</u>	<u>(1,181,314)</u>
Total other financing sources and uses	<u>(565,910)</u>	<u>-</u>	<u>(421,494)</u>	<u>987,404</u>	<u>-</u>
Net change in fund balances	(234,881)	(195,633)	(720,394)	(69,582)	(1,220,490)
Fund balances, beginning, as previously reported	6,719,855	(259,847)	8,416,109	819,093	15,695,210
Prior period adjustment	<u>166,828</u>	<u>16,623</u>	<u>-</u>	<u>-</u>	<u>183,451</u>
Fund balances, beginning as restated	<u>6,886,683</u>	<u>(243,224)</u>	<u>8,416,109</u>	<u>819,093</u>	<u>15,878,661</u>
Fund balances - ending	<u>\$ 6,651,802</u>	<u>\$ (438,857)</u>	<u>\$ 7,695,715</u>	<u>\$ 749,511</u>	<u>\$ 14,658,171</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

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

Net change in fund balance - total governmental funds	\$ (1,220,490)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and losses on retirement exceeded capital outlays in the current period.

	720,006
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

	923,048
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Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds. This adjustment is for other post employment benefits.

	(974,938)
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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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.

	<u>558,503</u>
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Change in net assets of governmental funds	<u><u>\$ 6,129</u></u>
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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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,350,191	\$ 6,350,191	\$ 6,279,618	\$ (70,573)
Licenses and permits	341,834	341,834	309,469	(32,365)
Intergovernmental	2,067,602	2,067,602	1,979,191	(88,411)
Charges for services	570,700	570,700	584,155	13,455
Fines, forfeitures, and penalties	800,000	800,000	661,846	(138,154)
Federal, state and local grants	-	-	41,671	41,671
Interest on investments	130,000	130,000	44,230	(85,770)
Other	161,980	221,769	278,078	56,309
Total revenues	10,422,307	10,482,096	10,178,258	(303,838)
EXPENDITURES				
General government	1,794,237	1,795,137	1,857,509	(62,372)
Public safety				
Police department	3,027,059	3,091,928	3,111,041	(19,113)
Fire department	3,189,016	3,226,492	3,117,054	109,438
Community services				
Recreation department	519,311	611,544	630,004	(18,460)
Baker community center and civic center	139,957	191,174	182,780	8,394
Sports authority	140,000	231,898	299,911	(68,013)
Transportation and environment	575,564	544,615	648,930	(104,315)
Total expenditures	9,385,144	9,692,788	9,847,229	(154,441)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,037,163	789,308	331,029	(458,279)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,209,000)	(1,674,000)	(565,910)	1,108,090
Net change in fund balances	\$ (171,837)	\$ (884,692)	(234,881)	\$ 649,811
Fund balance - beginning, as previously reported			6,719,855	
Prior period adjustment			166,828	
Fund balance - beginning, as restated			6,886,683	
Fund balance - ending			<u>\$ 6,651,802</u>	

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Commercial fees	\$ 206,000	\$ 206,000	\$ 218,762	\$ 12,762
Residential fees	622,000	622,000	577,755	(44,245)
Interest on investments	1,600	1,600	1,641	41
Other	21,500	21,500	22,033	533
Total revenues	<u>851,100</u>	<u>851,100</u>	<u>820,191</u>	<u>(30,909)</u>
Expenditures:				
Salaries	415,842	449,842	462,562	(12,720)
Insurance	104,800	108,896	105,359	3,537
Payroll taxes	31,811	31,811	29,816	1,995
Retirement	49,569	49,569	50,657	(1,088)
Gas and oil	53,000	53,000	46,591	6,409
Sanitation disposal fees	67,000	141,000	205,085	(64,085)
Repairs and maintenance	45,900	89,600	90,737	(1,137)
Administrative and other	12,450	12,450	25,017	(12,567)
Total expenditures	<u>780,372</u>	<u>936,168</u>	<u>1,015,824</u>	<u>(79,656)</u>
Net change in fund balance	<u>\$ 70,728</u>	<u>\$ (85,068)</u>	(195,633)	<u>\$ (110,565)</u>
Fund balance - beginning, as previously reported			(259,847)	
Prior period adjustment			<u>16,623</u>	
Fund balance - beginning, as restated			<u>(243,224)</u>	
Fund balance - ending			<u>\$ (438,857)</u>	

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2010

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Current assets:			
Cash and cash equivalents	\$ 838,198	\$ 981,144	\$ 1,819,342
Receivables			
Customers	327,394	102,280	429,674
Interest	137	132	269
Other	3,173	18,306	21,479
Less allowance for doubtful accounts	(58,859)	(32,446)	(91,305)
Prepaid expenses	42,333	25,473	67,806
Due from other funds	41,075	604,968	646,043
Due from other governments	-	54,390	54,390
Total current assets	<u>1,193,451</u>	<u>1,754,247</u>	<u>2,947,698</u>
Noncurrent assets:			
Restricted cash	395	240	635
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,050,748	13,587,760	24,638,508
Furnishings and equipment	758,215	3,042,988	3,801,203
Vehicles	159,994	286,195	446,189
Less accumulated depreciation	(4,404,193)	(8,981,107)	(13,385,300)
Total capital assets	<u>7,567,171</u>	<u>8,660,378</u>	<u>16,227,549</u>
Total noncurrent assets	<u>7,567,566</u>	<u>8,660,618</u>	<u>16,228,184</u>
Total assets	<u>8,761,017</u>	<u>10,414,865</u>	<u>19,175,882</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,304	12,616	24,920
Accrued expenses	85,727	68,096	153,823
Due to other funds	4,367,367	59,953	4,427,320
Customer deposits	395	240	635
Total current liabilities	<u>4,465,793</u>	<u>140,905</u>	<u>4,606,698</u>
Noncurrent liabilities			
Net post employment benefit obligations	<u>54,000</u>	<u>94,779</u>	<u>148,779</u>
Total liabilities	<u>4,519,793</u>	<u>235,684</u>	<u>4,755,477</u>
NET ASSETS			
Invested in capital assets	7,567,171	8,660,378	16,227,549
Unrestricted	(3,325,947)	1,518,803	(1,807,144)
Total net assets	<u>\$ 4,241,224</u>	<u>\$ 10,179,181</u>	<u>\$ 14,420,405</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 1,059,506	\$ -	\$ 1,059,506
Sewer service fee	-	1,444,694	1,444,694
Service connections fees	4,312	4,250	8,562
Forfeited discounts	20,294	14,290	34,584
Other	29,488	19,126	48,614
Total operating revenues	<u>1,113,600</u>	<u>1,482,360</u>	<u>2,595,960</u>
Operating expenses:			
Administrative and general	54,642	53,902	108,544
Pumping and filtering	500,596	744,189	1,244,785
Distribution system	248,054	205,910	453,964
Depreciation	298,797	428,508	727,305
Total operating expenses	<u>1,102,089</u>	<u>1,432,509</u>	<u>2,534,598</u>
Operating income (loss)	11,511	49,851	61,362
Nonoperating revenues (expenses):			
Interest income	4,010	4,609	8,619
Interest expense	(40,920)	-	(40,920)
Loss on disposal of capital assets	(13,731)	-	(13,731)
Total non-operating revenues (expenses)	<u>(50,641)</u>	<u>4,609</u>	<u>(46,032)</u>
Income (loss) before contributions	(39,130)	54,460	15,330
Capital contributions - tap fees	5,550	1,500	7,050
Capital contributions - development fees	300	1,000	1,300
Change in net assets	(33,280)	56,960	23,680
Total net assets - beginning	<u>4,274,504</u>	<u>10,122,221</u>	<u>14,396,725</u>
Total net assets - ending	<u>\$ 4,241,224</u>	<u>\$ 10,179,181</u>	<u>\$ 14,420,405</u>

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,014,234	\$ 1,442,144	\$ 2,456,378
Payments to suppliers	(340,669)	(372,306)	(712,975)
Payments to employees	(425,629)	(539,584)	(965,213)
Other receipts (payments)	<u>29,488</u>	<u>19,126</u>	<u>48,614</u>
Net cash provided (used) by operating activities	277,424	549,380	826,804
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	110,157	50,519	160,676
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	5,850	2,500	8,350
Acquisition and construction of capital assets	<u>(15,196)</u>	<u>(150,388)</u>	<u>(165,584)</u>
Net cash provided (used) by capital and related financing activities	(9,346)	(147,888)	(157,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>3,960</u>	<u>4,714</u>	<u>8,674</u>
Net increase (decrease) in cash and cash equivalents	382,195	456,725	838,920
Cash and cash equivalents - beginning of the year	<u>456,003</u>	<u>524,419</u>	<u>980,422</u>
Cash and cash equivalents - end of the year	<u><u>\$ 838,198</u></u>	<u><u>\$ 981,144</u></u>	<u><u>\$ 1,819,342</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 11,511	\$ 49,851	\$ 61,362
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	298,797	428,508	727,305
Change in assets and liabilities			
Receivables			
Customers	(66,705)	(3,052)	(69,757)
Other	(3,173)	(18,306)	(21,479)
Prepaid expenses	(24,380)	(19,028)	(43,408)
Due from other governments	-	268	268
Accounts payable	5,579	8,016	13,595
Accrued expenses	1,795	8,344	10,139
Net post employment benefit obligations	<u>54,000</u>	<u>94,779</u>	<u>148,779</u>
Net cash provided (used) by operating activities	<u><u>\$ 277,424</u></u>	<u><u>\$ 549,380</u></u>	<u><u>\$ 826,804</u></u>

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

CITY OF MILLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. 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 and proprietary funds. 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

The 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 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

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

2. Receivables and payables

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

balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All 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.

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 and overtime

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.

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

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 \$12,802,138 difference are as follows:

Governmental funds capital assets	\$ 18,935,321
Less: accumulated depreciation	<u>(6,133,183)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 12,802,138</u>

Another element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$8,378,951 difference are as follows:

Notes payable	\$ (6,744,708)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	11,956
Millington library exchange liability	(671,261)
Net post employment benefit obligation	<u>(974,938)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (8,378,951)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the \$720,006 difference are as follows:

Capital outlay	\$ 1,418,688
Depreciation expense	(597,180)
Loss on disposal of capital assets	<u>(101,502)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 720,006</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of the \$558,503 difference are as follows:

Debt issued or incurred:	
Amortization of bond issuance costs	\$ (13,044)
Principal repayment on bonds payable	<u>571,547</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 558,503</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

The Mayor is required by charter to present to the Board of Mayor and Alderman a preliminary budget for the upcoming fiscal year by May 15th. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and

Aldermen must pass the preliminary budget on three readings before it is adopted and becomes the approved spending plan for the City.

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the following governmental funds:

	<u>Amount</u>
General Fund	\$ (154,441)
Sanitation	\$ (79,656)
Gas Inspection Fee	\$ (5,642)

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, 2010, the sanitation fund had a deficit fund balance of \$438,857.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$12,586,851 and the bank balance was \$12,813,462. Of the bank balance, \$785,034 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$12,028,428 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States of America or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States of America or its agencies as the underlying securities, state pooled investment

funds, money market mutual funds, and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurances and (2) securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase agreement. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month. City deposit policies follow the State statutes.

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	Sanitation Fund	Capital Projects	Water Fund	Sewer Fund	Non-major Funds	Total
Receivables:							
Taxes	\$ 2,639,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,639,086
Interest	1,863	37	4	137	132	123	2,296
Accounts receivable	-	96,720	-	327,394	102,280	-	526,394
Other	214,283	18,821	-	3,173	18,306	16,072	270,655
Gross receivables	2,855,232	115,578	4	330,704	120,718	16,195	3,438,431
Less: allowance for doubtful accounts	(204,486)	(60,246)	-	(58,859)	(32,446)	(8,097)	(364,134)
Net total receivables	<u>\$ 2,650,746</u>	<u>\$ 55,332</u>	<u>\$ 4</u>	<u>\$ 271,845</u>	<u>\$ 88,272</u>	<u>\$ 8,098</u>	<u>\$ 3,074,297</u>

Property tax revenues in the general fund are reported net of uncollectible amounts. The allowance for uncollectible property taxes increased for the current year resulting in a decrease in reported revenues of \$13,260.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue of \$2,362,044 for property taxes receivable, \$655,043 for insurance proceeds and FEMA reimbursement from the May 2010 flood, and \$172,159 for other deferred receivables was reported in governmental funds.

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2010 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

C. Capital assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,120,704	\$ 587,095	\$ (80,516)	\$ 5,627,283
Construction in progress	-	974,657	-	974,657
Total capital assets, not being depreciated	<u>5,120,704</u>	<u>1,561,752</u>	<u>(80,516)</u>	<u>6,601,940</u>
Capital assets, being depreciated:				
Buildings and improvements	7,366,371	175,366	-	7,541,737
Furnishings and equipment	907,077	92,165	(68,070)	931,172
Vehicles	3,741,235	351,866	(232,629)	3,860,472
Total capital assets, being depreciated	<u>12,014,683</u>	<u>619,397</u>	<u>(300,699)</u>	<u>12,333,381</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,838,421)	(233,866)	-	(3,072,287)
Furnishings and equipment	(679,924)	(59,220)	60,564	(678,580)
Vehicles	(2,297,371)	(304,094)	219,149	(2,382,316)
Total accumulated depreciation	<u>(5,815,716)</u>	<u>(597,180)</u>	<u>279,713</u>	<u>(6,133,183)</u>
Total capital assets, being depreciated, net	<u>6,198,967</u>	<u>22,217</u>	<u>(20,986)</u>	<u>6,200,198</u>
Governmental activities capital assets, net	<u>\$ 11,319,671</u>	<u>\$ 1,583,969</u>	<u>\$ (101,502)</u>	<u>\$ 12,802,138</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 726,949	-	-	\$ 726,949
Total capital assets, not being depreciated	<u>726,949</u>	<u>-</u>	<u>-</u>	<u>726,949</u>
Capital assets, being depreciated:				
Buildings and improvements	24,690,324	-	(51,816)	24,638,508
Furnishings and equipment	3,687,590	156,159	(42,546)	3,801,203
Vehicles	441,262	9,425	(4,498)	446,189
Total capital assets, being depreciated	<u>28,819,176</u>	<u>165,584</u>	<u>(98,860)</u>	<u>28,885,900</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,408,044)	(583,537)	38,085	(9,953,496)
Furnishings and equipment	(2,964,059)	(120,961)	42,546	(3,042,474)
Vehicles	(371,021)	(22,807)	4,498	(389,330)
Total accumulated depreciation	<u>(12,743,124)</u>	<u>(727,305)</u>	<u>85,129</u>	<u>(13,385,300)</u>
Total capital assets, being depreciated, net	<u>16,076,052</u>	<u>(561,721)</u>	<u>(13,731)</u>	<u>15,500,600</u>
Business-type activity capital assets, net	<u>\$ 16,803,001</u>	<u>\$ (561,721)</u>	<u>\$ (13,731)</u>	<u>\$ 16,227,549</u>

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

Governmental Activities:	
General government	\$ 46,986
Public safety	237,836
Community services	107,088
Transportation and environment	205,270
Total depreciation expense - governmental activities	<u>\$ 597,180</u>
Business-Type Activities:	
Water	\$ 298,797
Sewer	428,508
Total depreciation expense - business-type activities	<u>\$ 727,305</u>

During the year, the City entered into an exchange transaction with Shelby County, Shelby County Schools, and Millington Telephone Company. Shelby County contributed a parcel of land to the City valued at \$91,200. The City then exchanged the land with Shelby County Schools for Millington East Elementary. The City then entered into an agreement with Millington Telephone Company in which the City gave Millington East Elementary and a promise to give the Millington Library land and building within the next ten years in exchange for the USA Baseball Stadium.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 43,945
	Water	233,502
	Sewer	37,414
	Sanitation	544,609
	Capital projects	767,643
		<u>\$ 1,627,113</u>
Capital projects	Water	\$ 4,132,914
	Nonmajor governmental	26,275
		<u>\$ 4,159,189</u>
Nonmajor governmental	General	158,648
	Water	951
	Nonmajor governmental	5,376
		<u>\$ 164,975</u>
		<u>\$ 164,975</u>
Water	Sanitation	18,536
	Sewer	22,539
		<u>\$ 41,075</u>
Sewer	Capital projects	\$ 604,968
		<u>\$ 604,968</u>

The outstanding balances between funds include working capital loans made to proprietary funds that the capital projects fund expects to collect in a subsequent year. Other outstanding balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made.

Interfund transfers:

Transfer out:	Transfer in:			Total
	Capital Improvements Fund	Nonmajor Governmental - State Street Aid	Nonmajor Governmental - Debt Service	
General fund	\$ 193,910	\$ 372,000	\$ -	\$ 565,910
Capital projects	-	-	615,404	615,404
Total transfers out	<u>\$ 193,910</u>	<u>\$ 372,000</u>	<u>\$ 615,404</u>	<u>\$ 1,181,314</u>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

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 2010 was .53%.

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 2010 was .45%.

In June 2009, the City entered into a 2 year loan agreement to borrow \$5,000,000 from Bank of America, N.A. through the League. The principal on this loan is due on June 1, 2011, while the interest is paid semi-annually at an interest rate of 2.79%.

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.

During the year, the City entered into an exchange transaction as described above in Note 4, Section C. As part of this transaction, the City has a long-term liability to transfer the Millington library to Millington Telephone Company within the next ten years for a total liability of \$671,261.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 7,316,255	\$ -	\$ (571,547)	\$ 6,744,708	\$ 5,599,727
Less deferred amounts:					
For issuance costs	(25,000)	-	13,044	(11,956)	-
Total notes payable	7,291,255	-	(558,503)	6,732,752	5,599,727
Net post employment benefit obligation	-	974,938	-	974,938	-
Millington library exchange liability	-	671,261	-	671,261	-
Total long-term liabilities	<u>\$ 7,291,255</u>	<u>\$ 1,646,199</u>	<u>\$ -</u>	<u>\$ 8,378,951</u>	<u>\$ 5,599,727</u>
Business-type activities:					
Net post employment benefit obligation	<u>\$ -</u>	<u>\$ 148,779</u>	<u>\$ -</u>	<u>\$ 148,779</u>	<u>\$ -</u>

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

Years Ending June 30	Principal	Interest	Total
2011	\$ 5,599,727	\$ 174,066	\$ 5,773,793
2012	282,411	23,201	305,612
2013	294,805	16,502	311,307
2014	308,420	9,521	317,941
2015	259,345	2,660	262,005
	<u>\$ 6,744,708</u>	<u>\$ 225,950</u>	<u>\$ 6,970,658</u>

NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

Employees of Millington are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established

in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Millington participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

B. Funding Policy

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

Millington is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 11.92% 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, 2010, Millington's annual pension cost of \$765,652 to TCRS was equal to Millington's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

D. Trend Information

Fiscal Year Ending	Trend Information		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 765,652	100%	\$ -
June 30, 2009	\$ 778,205	100%	\$ -
June 30, 2008	\$ 852,264	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 89.02% funded. The actuarial accrued liability for benefits was \$17.2 million, and the actuarial value of assets was \$15.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.89 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.22 million, and the ratio of the UAAL to the covered payroll was 30.37%.

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

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

Required Supplementary Information Schedule of Funding Progress for Millington

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
July 1, 2009	\$ 15,313,000	\$ 17,202,000	\$ 1,888,000	89.02%	\$ 6,218,000	30.37%
July 1, 2007	\$ 14,439,000	\$ 16,039,000	\$ 1,600,000	90.02%	\$ 6,050,000	26.45%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has contracted with the Shelby County Trustee to collect real and personal property taxes on behalf of the City. A 2.5% commission is paid to the Trustee plus 90% of the salary, fringe benefits, and authorized expenses of one full time employee of the Trustee. This employee works in City Hall and provides other receipting and administrative functions for the City. Collection fees paid to the Trustee totaled \$91,471 for the year ended June 30, 2010.

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

Under the terms of service agreements with the Naval Support Activity - Millington and Shelby County, the City provides service from the sewer treatment plant at a cost of \$1.95 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, life insurance, and worker's compensation insurance. The City is reimbursed for all disbursements by the respective entities.

NOTE 7 - RISK MANAGEMENT

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

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

In addition to the pension benefits described in Note 5, the City provides post-retirement health care and life insurance benefits to all employees who retire from the City under the provisions of the TCRS. Benefit provisions and contribution obligations have been established by the City. The City provides certain healthcare and life insurance coverage at nominal cost to retirees. Currently, 35 employees are participating in post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. The City pays 65% of the premium for health care benefits for retirees and their dependents.

A. Plan Description

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

B. Funding Policy

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provision of GASB Statement 45 for employers in plans with more

than 100 hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years. For fiscal year 2010, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$116,747 for 2010. These costs are recognized as an expense when claims or premiums are paid.

C. Annual OPEB Cost and Net OPEB Obligation

For the current fiscal year, the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation were as follows:

Annual required contribution	\$ 1,240,464
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,240,464</u>
Contributions or payments made	<u>(116,747)</u>
Increase in net OPEB obligation	1,123,717
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 1,123,717</u></u>
Percentage of expense contributed	<u><u>9.41%</u></u>

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the date of the most recent actuarial valuation, is as follows:

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

E. Actuarial Methods and Assumptions

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

the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the July 1, 2009, actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions include a 4% a year rate of investment return. Per the actuarial study the assumed rate ranges from 7.1% in the short-term to 5.7% in the long-term for health care related costs.

NOTE 9 – DEFERRED COMPENSATION PLAN

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

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The beginning fund balance for the general fund and the sanitation fund have been increased by \$166,828 and \$16,623, respectively. The adjustment resulted from an understatement of prepaid insurance at June 30, 2010.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the City issued \$1,000,000 in General Obligation Capital Outlay notes. The purpose of these notes is to provide funds for the acquisition, construction, and improvements of various capital projects within the City.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 2,154,023	\$ 2,154,023	\$ 2,101,759	\$ (52,264)
Beer tax	404,000	404,000	448,495	44,495
Business and personalty tax	457,968	457,968	474,030	16,062
Local sales tax	3,200,000	3,200,000	3,128,360	(71,640)
Hotel/Motel tax	100,000	100,000	79,406	(20,594)
Interest and penalties	14,200	14,200	22,985	8,785
CATV franchise tax	20,000	20,000	24,583	4,583
Total taxes	6,350,191	6,350,191	6,279,618	(70,573)
LICENSES AND PERMITS				
Automobile stickers	202,000	202,000	185,508	(16,492)
Building and related permits	72,584	72,584	42,013	(30,571)
Planning and subdivision fees	5,000	5,000	6,640	1,640
Beer application and solicitors	2,750	2,750	9,602	6,852
Clerk fees	3,000	3,000	2,020	(980)
Liquor permits	3,500	3,500	4,450	950
Liquor inspection fee	53,000	53,000	59,236	6,236
Total licenses and permits	341,834	341,834	309,469	(32,365)
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales tax	720,000	720,000	667,307	(52,693)
Beer tax	5,400	5,400	5,170	(230)
Income tax	33,000	33,000	7,829	(25,171)
Excise tax	17,580	17,580	14,837	(2,743)
Mixed drinks tax	25,600	25,600	25,582	(18)
Telecommunications sales tax	2,000	2,000	904	(1,096)
Receipts in lieu of tax - TVA	96,855	96,855	114,768	17,913
Receipts in lieu of tax -				
Millington Housing Authority	20,467	20,467	19,773	(694)
Receipts in lieu of tax - MLGW	94,000	94,000	94,621	621
Shelby County - Fire	1,048,000	1,048,000	1,008,326	(39,674)
Shelby County - "911"	4,700	4,700	20,074	15,374
Total intergovernmental	2,067,602	2,067,602	1,979,191	(88,411)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority fire protection	435,600	435,600	310,821	(124,779)
Recreation	135,100	135,100	273,334	138,234
Total charges for services	<u>570,700</u>	<u>570,700</u>	<u>584,155</u>	<u>13,455</u>
FINES FORFEITURES AND PENALTIES				
City court fines	800,000	800,000	661,846	(138,154)
FEDERAL, STATE AND LOCAL GRANTS	-	-	41,671	41,671
INTEREST ON INVESTMENTS	130,000	130,000	44,230	(85,770)
OTHER	161,980	221,769	278,078	56,309
TOTAL GENERAL FUND REVENUES	<u>\$ 10,422,307</u>	<u>\$ 10,482,096</u>	<u>\$ 10,178,258</u>	<u>\$ (303,838)</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General and Administrative Salaries				
Office personnel	\$ 268,668	\$ 200,668	\$ 220,067	\$ (19,399)
Officials	196,894	196,894	136,782	60,112
City judge	38,400	38,400	32,959	5,441
City prosecutor	16,000	16,000	15,996	4
Court personnel	99,500	99,500	124,549	(25,049)
Building inspector and code enforcement	168,584	194,554	217,861	(23,307)
Advertising	2,200	2,200	1,718	482
Air conditioning	3,000	3,000	7,004	(4,004)
Chamber of Commerce	18,000	18,000	13,500	4,500
Compensation study	1,800	1,800	-	1,800
Contract labor	4,000	4,000	16,231	(12,231)
Engineering	8,000	8,000	8,208	(208)
Inspection	8,000	8,000	-	8,000
Insurance	125,711	119,911	123,221	(3,310)
Legal and professional	172,400	200,077	216,922	(16,845)
Library	262,088	283,600	285,722	(2,122)
Maintenance	43,000	43,000	27,086	15,914
Membership	8,300	8,300	20,519	(12,219)
Office supplies	10,800	10,800	12,815	(2,015)
Payroll taxes	56,657	56,657	57,615	(958)
Physical and medical	975	975	2,573	(1,598)
Public relations	13,500	13,500	9,093	4,407
Publications and flags	4,900	4,900	1,687	3,213
Repairs and maintenance	18,300	18,300	21,752	(3,452)
Retirement	85,330	85,330	91,728	(6,398)
Supplies	25,000	25,000	38,320	(13,320)
Telephone	25,000	25,000	26,561	(1,561)
Travel and training	15,400	15,400	12,619	2,781
Utilities	45,600	45,600	27,668	17,932
Administrative and other	48,230	47,771	86,733	(38,962)
Total general government	1,794,237	1,795,137	1,857,509	(62,372)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 1,866,476	\$ 1,883,556	\$ 1,958,607	\$ (75,051)
Payroll taxes	147,786	147,786	159,800	(12,014)
Insurance	375,478	375,478	370,196	5,282
Retirement	220,219	220,219	215,114	5,105
Telephone and utilities	80,000	80,000	53,969	26,031
Education and training	20,000	20,000	23,190	(3,190)
Medical	8,000	8,000	9,245	(1,245)
Repairs and maintenance	121,000	131,000	115,071	15,929
Supplies and other	41,900	79,689	107,620	(27,931)
Gas and oil	110,000	110,000	54,725	55,275
Uniforms	25,000	25,000	32,425	(7,425)
Jail expense	11,000	11,000	11,023	(23)
Recruiting	200	200	-	200
Capital outlay - equipment purchases	-	-	56	(56)
Total police department	<u>3,027,059</u>	<u>3,091,928</u>	<u>3,111,041</u>	<u>(19,113)</u>
Fire Department				
Salaries and wages	1,732,771	1,758,247	1,793,867	(35,620)
Payroll taxes	132,557	132,558	126,402	6,156
Insurance	365,606	365,605	339,932	25,673
Retirement	201,182	201,182	193,805	7,377
Ambulance service	400,000	400,000	389,576	10,424
Telephone and utilities	64,000	64,000	62,865	1,135
Education and training	17,000	17,000	10,401	6,599
Medical	4,500	4,500	7,895	(3,395)
Repairs and maintenance	123,000	123,000	85,280	37,720
Supplies and other	49,500	61,500	59,951	1,549
Gas and oil	30,000	30,000	28,639	1,361
Uniforms	16,000	16,000	16,331	(331)
Volunteer	4,000	4,000	2,110	1,890
Fire hose	3,000	3,000	-	3,000
Capital outlay - equipment purchases	45,900	45,900	-	45,900
Total fire department	<u>3,189,016</u>	<u>3,226,492</u>	<u>3,117,054</u>	<u>109,438</u>
Total public safety	6,216,075	6,318,420	6,228,095	90,325

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Recreation Department				
Operating Expenditures				
Salaries and wages	308,440	364,440	370,794	(6,354)
Payroll taxes	38,404	48,837	50,673	(1,836)
Insurance	40,800	48,800	51,959	(3,159)
Retirement	29,137	34,137	31,943	2,194
Telephone	4,100	4,100	8,183	(4,083)
Education and training	750	750	-	750
Utilities	20,000	20,000	21,684	(1,684)
Supplies and other	18,200	18,200	18,069	131
Medical	730	730	540	190
Repairs and maintenance	32,550	41,050	42,157	(1,107)
Playground supplies	4,250	4,250	4,114	136
Gas and oil	15,000	15,000	14,147	853
Uniforms	5,500	7,800	13,586	(5,786)
Trophies	1,450	1,450	116	1,334
Capital outlay - equipment purchases	-	2,000	2,039	(39)
Total recreation department	519,311	611,544	630,004	(18,460)
Baker Community Center and Civic Center				
Operating Expenditures				
Salaries and wages	21,000	21,000	20,688	312
Payroll taxes	1,607	1,607	1,583	24
Insurance	11,500	11,500	10,465	1,035
Repairs and maintenance	16,500	17,717	20,370	(2,653)
Supplies	12,350	12,350	13,678	(1,328)
Utilities	62,000	112,000	101,401	10,599
Special Events	15,000	15,000	14,595	405
Total Baker Community Center and Civic Center	139,957	191,174	182,780	8,394

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Sports Authority				
Operating Expenditures				
Salaries and wages	36,000	100,000	159,005	(59,005)
Payroll taxes	2,754	3,000	4,781	(1,781)
Insurance	19,000	22,000	23,797	(1,797)
Retirement	2,703	2,703	1,981	722
Advertising	1,000	1,000	1,177	(177)
Repairs and maintenance	29,000	29,000	29,361	(361)
Supplies	30,543	39,543	43,776	(4,233)
Education and training	4,000	4,000	4,415	(415)
Telephone	-	100	110	(10)
Utilities	15,000	30,552	31,508	(956)
Total sports authority	<u>140,000</u>	<u>231,898</u>	<u>299,911</u>	<u>(68,013)</u>
 Total community services	 799,268	 1,034,616	 1,112,695	 (78,079)
 TRANSPORTATION AND ENVIRONMENT				
Public Works Department				
Operating expenditures				
Salaries and wages	320,970	320,970	318,742	2,228
Payroll taxes	24,554	24,554	22,775	1,779
Insurance	56,980	56,980	55,225	1,755
Repairs and maintenance	53,500	22,551	103,429	(80,878)
Retirement	38,260	38,260	37,261	999
Gas and oil	8,000	8,000	9,220	(1,220)
Medical	-	-	858	(858)
Office supplies	7,000	7,000	8,801	(1,801)
Supplies	16,300	16,300	51,418	(35,118)
Telephone	8,500	8,500	8,792	(292)
Training and travel	1,000	1,000	1,338	(338)
Uniforms	4,500	4,500	4,122	378
Utilities	24,000	24,000	14,827	9,173
Animal control	12,000	12,000	6,433	5,567
Capital outlay - equipment purchase	-	-	5,689	(5,689)
Total public works department	<u>575,564</u>	<u>544,615</u>	<u>648,930</u>	<u>(104,315)</u>
 TOTAL GENERAL FUND EXPENDITURES	 <u>\$ 9,385,144</u>	 <u>\$ 9,692,788</u>	 <u>\$ 9,847,229</u>	 <u>\$ (154,441)</u>

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Federal, state and local grants	\$ -	\$ 3,032,800	\$ 764,092	\$(2,268,708)
Interest on investments	-	65,000	104,388	39,388
Other	195,000	195,000	208,664	13,664
Total revenues	195,000	3,292,800	1,077,144	(2,215,656)
Expenditures:				
Capital improvements	323,000	3,113,450	1,245,844	1,867,606
Debt service - interest and fiscal charges	-	150,000	130,200	19,800
Total expenditures	323,000	3,263,450	1,376,044	1,887,406
Excess (deficiency) of revenues over expenditures	(128,000)	29,350	(298,900)	(328,250)
Other financing sources (uses):				
Transfer in	278,000	278,000	193,910	(84,090)
Transfers out	(150,000)	(150,000)	(615,404)	(465,404)
Total other financing sources (uses)	128,000	128,000	(421,494)	(549,494)
Net change in fund balance	\$ -	\$ 157,350	(720,394)	\$ (877,744)
Fund balance - beginning			8,416,109	
Fund balance - ending			\$ 7,695,715	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
ASSETS							
Cash and cash equivalents	\$ 11,964	\$ -	\$ 76,958	\$ 121,634	\$ 443,848	\$ -	\$ 654,404
Receivables, net							
Accounts	-	-	-	-	-	-	-
Interest	-	-	-	2	121	-	123
Other	9,750	-	-	-	6,322	-	16,072
Less allowance	-	-	-	-	(8,097)	-	(8,097)
Due from other funds	-	158,648	-	5,376	951	-	164,975
Due from other governments	50,916	-	-	-	-	-	50,916
Prepays and other assets	22,334	-	-	-	2,900	-	25,234
Total assets	\$ 94,964	\$ 158,648	\$ 76,958	\$ 127,012	\$ 446,045	\$ -	\$ 903,627
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 13,364	\$ -	\$ 12	\$ 758	\$ 1,470	\$ -	\$ 15,604
Accrued payroll and vacation	37,340	-	-	-	9,504	-	46,844
Deferred revenue	9,750	-	-	-	6,322	-	16,072
Due to other funds	32,222	-	5,476	9,175	28,723	-	75,596
Total liabilities	92,676	-	5,488	9,933	46,019	-	154,116
Fund balances:							
Reserved	-	-	71,470	117,079	-	-	188,549
Unreserved	2,288	158,648	-	-	400,026	-	560,962
Total fund balances	2,288	158,648	71,470	117,079	400,026	-	749,511
Total liabilities and fund balances	\$ 94,964	\$ 158,648	\$ 76,958	\$ 127,012	\$ 446,045	\$ -	\$ 903,627

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
REVENUES							
State gasoline tax (local share)	\$ 277,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,105
Gasoline inspection fee (local share)	-	22,402	-	-	-	-	22,402
Fees	-	-	-	-	242,681	-	242,681
Interest on investments	38	-	55	169	3,608	-	3,870
Fines and confiscations	-	-	37,309	-	-	-	37,309
DEA federal shared proceeds	-	-	-	89,268	-	-	89,268
Other	-	-	17,018	935	4,580	-	22,533
Total revenues	277,143	22,402	54,382	90,372	250,869	-	695,168
EXPENDITURES							
Public Safety							
Drug abuse	-	-	31,651	-	-	-	31,651
DEA Drug	-	-	-	56,083	-	-	56,083
Transportation and Environment							
Street department	621,057	28,442	-	-	166,319	-	815,818
Street improvements	1,163	-	-	-	-	-	1,163
Capital outlays	-	-	-	22	232,013	-	232,035
Debt service - principal	-	-	-	-	-	571,547	571,547
Debt service - interest and fiscal charges	-	-	-	-	-	43,857	43,857
Total expenditures	622,220	28,442	31,651	56,105	398,332	615,404	1,752,154
Excess (deficiency) of revenues over expenditures	(345,077)	(6,040)	22,731	34,267	(147,463)	(615,404)	(1,056,986)
OTHER FINANCING SOURCES (USES)							
Transfers in	372,000	-	-	-	-	615,404	987,404
Net change in fund balances	26,923	(6,040)	22,731	34,267	(147,463)	-	(69,582)
Fund balances - beginning	(24,635)	164,688	48,739	82,812	547,489	-	819,093
Fund balances - ending	\$ 2,288	\$ 158,648	\$ 71,470	\$ 117,079	\$ 400,026	\$ -	\$ 749,511

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 313,000	\$ 313,000	\$ 277,105	\$ (35,895)
Federal grant	-	67,380	-	(67,380)
Interest on investments	-	-	38	38
Total revenues	<u>313,000</u>	<u>380,380</u>	<u>277,143</u>	<u>(103,237)</u>
Expenditures:				
Street Department				
Salaries	227,662	234,062	233,397	665
Insurance	87,300	97,300	85,365	11,935
Payroll taxes	17,416	17,416	17,355	61
Repairs and maintenance	43,000	43,000	29,553	13,447
Retirement	26,541	26,541	31,283	(4,742)
Street lights	170,000	170,000	165,260	4,740
Supplies	50,000	55,000	39,477	15,523
Uniforms	4,000	4,000	3,757	243
Other	13,640	13,640	15,610	(1,970)
Street improvements	-	41,541	1,163	40,378
Total expenditures	<u>639,559</u>	<u>702,500</u>	<u>622,220</u>	<u>80,280</u>
Excess (deficiency) of revenues over expenditures	(326,559)	(322,120)	(345,077)	(22,957)
Other financing sources (uses):				
Transfers in	<u>372,000</u>	<u>372,000</u>	<u>372,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 45,441</u>	<u>\$ 49,880</u>	26,923	<u>\$ (22,957)</u>
Fund balance - beginning			<u>(24,635)</u>	
Fund balance - ending			<u>\$ 2,288</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GAS INSPECTION FEE FUND				
Revenues:				
Gasoline inspection fee (local share)	\$ 22,800	\$ 22,800	\$ 22,402	\$ (398)
Expenditures:				
Street Department				
Repairs and maintenance	22,800	22,800	28,442	(5,642)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(6,040)	<u>\$ (6,040)</u>
Fund balance - beginning			<u>164,688</u>	
Fund balance - ending			<u>\$ 158,648</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines and confiscations	\$ 20,000	\$ 20,000	\$ 37,309	\$ 17,309
Interest on investments	500	500	55	(445)
Other	-	-	17,018	17,018
Total revenues	<u>20,500</u>	<u>20,500</u>	<u>54,382</u>	<u>33,882</u>
Expenditures:				
Educational materials	4,000	4,000	5,015	(1,015)
Supplies and other	<u>63,907</u>	<u>63,907</u>	<u>26,636</u>	<u>37,271</u>
Total expenditures	<u>67,907</u>	<u>67,907</u>	<u>31,651</u>	<u>36,256</u>
Excess (deficiency) of revenues over expenditures	<u>(47,407)</u>	<u>(47,407)</u>	<u>22,731</u>	<u>70,138</u>
Net change in fund balance	<u>\$ (47,407)</u>	<u>\$ (47,407)</u>	<u>22,731</u>	<u>\$ 70,138</u>
Fund balance - beginning			<u>48,739</u>	
Fund balance - ending			<u>\$ 71,470</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
Revenues:				
DEA shared proceeds	\$ 90,000	\$ 90,000	\$ 89,268	\$ (732)
Federal grant	17,000	17,000	-	(17,000)
Interest on investments	500	500	169	(331)
Other	1,000	1,000	935	(65)
Total revenues	<u>108,500</u>	<u>108,500</u>	<u>90,372</u>	<u>(18,128)</u>
Expenditures:				
DEA overtime expenses	17,000	17,000	14,355	2,645
Supplies and other	37,000	37,000	41,728	(4,728)
Capital outlays	109,500	109,500	22	109,478
Total expenditures	<u>163,500</u>	<u>163,500</u>	<u>56,105</u>	<u>107,395</u>
Net change in fund balance	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	34,267	<u>\$ 89,267</u>
Fund balance - beginning			<u>82,812</u>	
Fund balance - ending			<u>\$ 117,079</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
Revenues:				
Commercial fees	\$ 158,000	\$ 158,000	\$ 162,574	\$ 4,574
Residential fees	87,000	87,000	80,107	(6,893)
Interest on investments	4,000	4,000	3,608	(392)
Other	3,800	3,800	4,580	780
Total revenues	<u>252,800</u>	<u>252,800</u>	<u>250,869</u>	<u>(1,931)</u>
Expenditures:				
Salaries	94,562	147,302	98,662	48,640
Insurance	-	-	1,740	(1,740)
Payroll taxes	7,234	7,234	2,302	4,932
Retirement	11,272	11,272	3,583	7,689
Repairs and maintenance	74,600	74,600	33,860	40,740
Supplies	5,000	5,000	4,484	516
Administrative and other	10,132	10,132	21,688	(11,556)
Capital outlay	50,000	147,563	232,013	(84,450)
Total expenditures	<u>252,800</u>	<u>403,103</u>	<u>398,332</u>	<u>4,771</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (150,303)</u>	(147,463)	<u>\$ 2,840</u>
Fund balance - beginning			<u>547,489</u>	
Fund balance - ending			<u>\$ 400,026</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Expenditures:				
Principal retirement	\$ 570,327	\$ 570,327	\$ 571,547	\$ (1,220)
Agents fees	4,100	8,315	3,263	5,052
Interest expense	40,573	38,973	40,594	(1,621)
Total expenditures	<u>615,000</u>	<u>617,615</u>	<u>615,404</u>	<u>2,211</u>
Other Financing Sources:				
Transfers in	<u>615,000</u>	<u>615,000</u>	<u>615,404</u>	<u>404</u>
Net change in fund balance	-	(2,615)	-	2,615
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ (2,615)</u>	<u>\$ -</u>	<u>\$ 2,615</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

CFDA Number	Grant Number	Grantor Agency	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
20.205	090086	<u>U.S. Department of Transportation</u> Highway Planning and Construction American Recovery and Reinvestment Act (ARRA) All Grants Passed thru State of Tennessee	\$ -	\$ 84,861	\$ 99,341	\$ 14,480
20.205	090095	ARRA	-	31,917	31,917	-
20.205	090103	ARRA	-	7,778	7,778	-
20.205	090124	ARRA	-	79,178	107,698	28,520
20.205	090009		-	95,513	170,539	75,026
20.205	090010		-	291,087	518,979	227,892
		Total Program 20.205	-	590,334	936,252	345,918
97.036	FEMA-1909-DR-TN	<u>U.S. Department of Homeland Security</u> Public Assistance Grant FEMA	-	-	465,808	465,808
TOTAL FEDERAL AWARDS			\$ -	\$ 590,334	\$ 1,402,060	\$ 811,726

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the City of Millington, Tennessee under programs of the federal government for the year ended June 30, 2010. The schedule is presented using the modified accrual basis of accounting.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICERS

For the Year Ended June 30, 2010

	<u>Annual Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>
Mayor	\$ 70,808	\$ 100,000	TML Risk Management
City Clerk	43,385	100,000	TML Risk Management
City Court Clerk	32,032	100,000	TML Risk Management
Police Chief	62,816	100,000	TML Risk Management
Fire Chief	62,816	100,000	TML Risk Management

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2010

<u>Insurance Company</u>	<u>Property Covered</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Expires</u>
TML Risk Management	7930 Nelson	Property	\$ 1,597,000	2/13/2011
TML Risk Management	8077 Wilkinsville Road	Property	\$ 7,011,000	2/13/2011
TML Risk Management	7942 Church Street	Property	\$ 1,395,000	2/13/2011
TML Risk Management	7926 Church Street	Property	\$ 6,522,000	2/13/2011
TML Risk Management	4836 Navy Road	Property	\$ 1,815,000	2/13/2011
TML Risk Management	6457 Navy Road	Property	\$ 356,000	2/13/2011
TML Risk Management	7265 Raleigh-Millington Road	Property	\$ 596,000	2/13/2011
TML Risk Management	4858 Navy Road	Property	\$ 3,323,000	2/13/2011
TML Risk Management	4701 Biloxi	Property	\$ 1,364,900	2/13/2011
TML Risk Management	7950 Memphis Rd	Property	\$ 4,473,000	2/13/2011
TML Risk Management		Sewer Plant	\$ 14,558,700	2/13/2011
		Water Plant - South	\$ 5,739,000	2/13/2011
		Water Treatment Plant	\$ 6,522,000	2/13/2011
TML Risk Management		General liability	\$ 1,000,000	
		Auto liability	1,000,000	
		Errors and omissions (public officials)	1,000,000	
		Police liability	1,000,000	2/13/2011
TML Risk Management		Workmen's compensation	1,000,000 (per occurrence)	2/13/2011
TML Risk Management		Employee dishonesty	100,000	2/13/2011

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Local taxes	\$ 6,279,618	\$ 6,036,013	\$ 5,945,932	\$ 5,812,756	\$ 5,722,804	\$ 5,252,553	\$ 4,738,424	\$ 4,294,766	\$ 4,567,171	\$ 3,579,115
State taxes (local share)	2,278,698	2,319,850	2,184,958	1,929,801	1,518,384	1,160,520	1,290,071	1,502,277	1,740,899	1,924,576
Federal and state grants	805,763	180,119	161,624	39,754	89,150	250,743	236,027	314,291	9,461	9,212
Fines and forfeitures	788,423	619,930	663,055	706,943	375,089	342,517	195,092	174,063	225,940	187,439
Licenses, permits and fees	1,659,488	1,646,805	1,744,600	1,629,845	1,122,546	984,916	956,290	857,928	815,044	610,829
Interest on investments	154,129	156,067	361,304	476,430	420,477	313,033	332,647	667,086	711,008	953,431
Increase (decrease) in fair value of investments	-	1,168	26,323	10,322	(22,727)	(3,538)	(165,281)	(358,750)	(147,344)	3,844
Recreation	273,334	142,315	110,872	89,659	76,669	61,774	52,300	52,162	54,357	42,529
Other	531,308	397,272	369,820	388,255	631,286	573,257	613,572	1,492,653	601,266	633,079
Total	12,770,761	11,499,539	11,568,488	11,083,765	9,933,678	8,935,775	8,249,142	8,996,476	8,577,802	7,944,054
Other Financing Sources										
Loan proceeds	-	5,000,000	-	-	-	-	2,596,399	2,864,762	-	1,270,065
Operating transfers in	1,181,314	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	634,056	504,750
Total revenues and other financing sources	\$ 13,952,075	\$ 17,670,116	\$ 12,789,119	\$ 12,137,425	\$ 10,833,884	\$ 14,508,156	\$ 11,946,588	\$ 12,738,072	\$ 9,211,858	\$ 9,718,869

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government	\$ 1,857,509	\$ 1,914,036	\$ 1,958,214	\$ 1,825,299	\$ 1,767,307	\$ 1,540,366	\$ 1,670,169	\$ 1,430,734	\$ 1,371,224	\$ 1,299,901
Public Safety										
Police	3,198,797	3,135,905	3,461,523	2,962,084	2,635,609	2,400,435	2,073,244	1,860,286	1,651,451	1,543,802
Fire	3,117,054	3,126,272	3,157,058	2,674,949	2,092,261	1,709,324	1,473,416	1,329,512	1,263,392	1,010,736
Total public safety	6,315,851	6,262,177	6,618,581	5,637,033	4,727,870	4,109,759	3,546,660	3,189,798	2,914,843	2,554,538
Community Services										
Recreation	630,004	715,966	819,612	705,379	636,819	687,980	716,733	653,267	645,376	603,099
Baker Community Center	182,780	269,150	204,168	157,561	145,542	119,011	47,470	41,039	44,947	43,226
Sports Authority	299,911	-	-	-	-	-	-	-	-	-
Highways and streets	1,112,695	985,116	1,023,780	862,940	782,361	806,991	764,203	694,306	690,323	646,325
Transportation and Environment										
Public works	880,943	583,121	585,403	578,401	570,436	567,304	594,410	503,116	445,666	389,996
Sanitation	1,015,824	827,205	1,219,855	764,141	758,659	682,730	556,737	568,183	659,311	408,674
Highways and streets	816,981	765,789	785,327	675,986	641,280	598,980	504,205	540,359	608,053	866,978
Total transportation and environment	2,713,748	2,176,115	2,590,585	2,018,528	1,970,375	1,849,014	1,655,352	1,611,658	1,713,030	1,665,648
Special Projects										
Base reuse	-	-	-	-	-	-	-	-	-	706
Total special projects	-	-	-	-	-	-	-	-	-	706
Capital projects	1,245,844	276,215	335,423	555,731	456,129	1,074,553	2,966,097	1,982,794	409,634	698,335
Debt service	745,604	641,076	639,631	653,660	629,006	5,347,381	736,281	415,334	39,156	342,866
Total expenditures	13,991,251	12,254,735	13,166,214	11,553,191	10,333,048	14,728,064	11,338,762	9,324,624	7,138,210	7,208,319
Other Financing Uses										
Operating transfers out	1,181,314	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	2,100,056	460,450
Total expenditures and other financing uses	\$ 15,172,565	\$ 13,425,312	\$ 14,386,845	\$ 12,606,851	\$ 11,233,254	\$ 20,300,445	\$ 12,439,809	\$ 10,201,458	\$ 9,238,266	\$ 7,668,769

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Property tax rate	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23
Assessed Valuation					
Realty and personalty	\$ 182,557,550	\$ 174,747,779	\$ 155,641,650	\$ 139,290,570	\$ 132,991,630
Public utility	<u>9,490,000</u>	<u>9,357,031</u>	<u>8,534,562</u>	<u>8,178,224</u>	<u>7,210,450</u>
	<u>\$ 192,047,550</u>	<u>\$ 184,104,810</u>	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property tax rate	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 0.92
Assessed Valuation					
Realty and personalty	\$ 112,662,855	\$ 100,752,280	\$ 99,118,613	\$ 97,669,246	\$ 81,389,432
Public utility	<u>7,247,640</u>	<u>7,247,640</u>	<u>8,046,676</u>	<u>11,443,391</u>	<u>10,993,107</u>
	<u>\$ 119,910,495</u>	<u>\$ 107,999,920</u>	<u>\$ 107,165,289</u>	<u>\$ 109,112,637</u>	<u>\$ 92,382,539</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2010

Water Rates:

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

Sewer Rates:

<u>Based on Gallons of Water Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 7.10
Each additional 1,000 gallons	\$ 2.25

Sanitation Rates:

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

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED

June 30, 2010

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

<u>Year of Levy</u>	<u>Amount</u>
2009	\$ 64,564
2008	51,080
2007	24,107
2006	33,080
2005	24,635
2004	17,117
2003	22,094
2002	34,548
2001	18,966
2000	9,979

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2010

	<u>Total</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property taxes receivable - beginning of year	\$ 2,430,903	\$ -	\$ 2,264,489	\$ 111,479	\$ 33,416	\$ 10,400	\$ 3,585	\$ 2,548	\$ 1,266	\$ 2,111	\$ 1,609
ADD:											
Tax levied:	2,363,784	2,363,784		-	-	-	-	-	-	-	-
Adjustments	145,954		142,567	3,342	34	11	-	-	-	-	-
Total Additions	<u>2,509,738</u>	<u>2,363,784</u>	<u>142,567</u>	<u>3,342</u>	<u>34</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCT:											
Collections - Net of Refunds	2,276,422		2,194,799	55,793	22,052	3,718	-	60	-	-	-
Releases	73,879		68,791	2,220	653	614	582	622	83	157	157
Total Deductions	<u>2,350,301</u>	<u>-</u>	<u>2,263,590</u>	<u>58,013</u>	<u>22,705</u>	<u>4,332</u>	<u>582</u>	<u>682</u>	<u>83</u>	<u>157</u>	<u>157</u>
Property taxes receivable - end of year	2,590,340	2,363,784	143,466	56,808	10,745	6,079	3,003	1,866	1,183	1,954	1,452
Less: Allowance for uncollectibles	(204,486)	(108,661)	(60,256)	(23,859)	(4,513)	(2,553)	(1,261)	(784)	(497)	(821)	(1,281)
Property taxes receivable, net	<u>\$ 2,385,854</u>	<u>\$ 2,255,123</u>	<u>\$ 83,210</u>	<u>\$ 32,949</u>	<u>\$ 6,232</u>	<u>\$ 3,526</u>	<u>\$ 1,742</u>	<u>\$ 1,082</u>	<u>\$ 686</u>	<u>\$ 1,133</u>	<u>\$ 171</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2010

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	368,257,000	
C	Water Purchased	3,841,060	
D	Total Water Treated and Purchased		372,098,060
	(Sum Lines B and C)		
E	Accounted for Water:		
F	Water Sold	315,393,620	
G	Metered for Consumption (in house usage)	28,369,800	
H	Fire Department Usage	7,830	
I	Flushing	1,281,000	
J	Tank Cleaning/Filling	342,676	
K	Street Cleaning	13,500	
L	Bulk Sales	2,100	
M	Water Bill Adjustments	<u>(1,221,320)</u>	
N	Total Accounted for Water		344,189,206
	(Sum Lines F thru M)		
O	Unaccounted for Water		27,908,854
	(Line D minus Line N)		
P	Percent Unaccounted for Water		7.500%
	(Line O divided by Line D times 100)		

Q. Other (Explain)

Explain Other: Millington experienced a flood in May 2010 and was designated a federal disaster area. While usage was accounted for, June 2010 utility bills were adjusted to zero for customers affected by the flood per City Ordinance 2010-15. This adjustment did not affect the calculation of Unaccounted for Water.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a

timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and shown as items 2010-1 and 2010-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 27, 2010.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Watkins Mikusall, PLLC

Memphis, Tennessee
December 27, 2010



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Millington, Tennessee (the "City") with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal

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

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

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

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

Watkins Mikusall, PLLC

Memphis Tennessee
December 27, 2010

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Millington, Tennessee (the "City").
2. Two control deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Both of these deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal awards programs are reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:
 - 20.205 – Highway Planning and Construction
 - 97.036 – Public Assistance
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. The City did not qualify as a low risk auditee.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2010

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2010-1

Condition: Several material journal entries were needed for the financial statements to be adjusted to actual year-end balances. These adjustments were a direct result of audit procedures performed and were not detected by the City's internal control. This was also a finding at June 30, 2009.

Criteria: Material financial misstatements should be detected by the City's internal control.

Effect: Unadjusted financial statements did not properly reflect the financial position or the operations of the City.

Recommendation: We recommend that management ensures that all necessary adjustments are made to the financial statement at year end.

Response: The City has hired a new Finance Director effective November 1, 2010, with over 25 years experience in governmental accounting. The new Finance Director is reviewing and updating or writing new policies and procedures and will ensure all necessary adjustments and accruals are recorded.

2010-2

Condition: Prepaid expenses in the general fund and sanitation fund were understated in the prior year. A restatement was made during the 2010 audit to reflect the correct balances in prepaid expenses at June 30, 2009.

Criteria: An insurance policy runs from February 12 to February 12 and thus should partly be recorded as prepaid.

Effect: Prior year financial statements reflected an understatement of prepaid expenses and an overstatement of expenses in the general fund and sanitation fund.

Recommendation: All insurance policies should be reviewed at year end to ensure proper recognition of prepaid expenses.

Response: Management agrees with the adjustments that were made for the prior period and will review insurance policies and prepaid expenses for accuracy in the future.

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

None reported

CITY OF MILLINGTON, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2010

2009-1

Condition: Several material journal entries were needed for the financial statements to be adjusted to actual year-end balances. These adjustments were a direct result of audit procedures performed and were not detected by the City's internal control.

Recommendation: Management should obtain training in generally accepted accounting principles as well as pronouncements issued by the Governmental Accounting Standards Board (GASB).

Current Status: Condition is still a material weakness.

2009-2

Condition: Accounts receivable in the sanitation fund were overstated in the prior year. Accounts receivable were reflected in the Due From Water account as well as the Accounts Receivable – Sanitation account. A restatement was made during the 2009 audit to reflect the correct balances in accounts receivable at June 30, 2008.

Recommendation: Accounts receivable should be reviewed at year end to ensure that only unbilled receivables are recorded in the Accounts Receivable – Sanitation account at June 30.

Current Status: Accounts receivable was reviewed at year end and was accurate.