

CITY OF MILLINGTON, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2016



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INTRODUCTORY SECTION

CITY OF MILLINGTON, TENNESSEE

ROSTER OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2016

CITY OF MILLINGTON BOARD OF MAYOR AND ALDERMEN

Terry Jones, Mayor
Chris Ford, Vice Mayor
Bethany Huffman, Alderman
Hank Hawkins, Alderman

Frankie Dakin, Alderman
Larry Dagen, Alderman
Thomas McGhee, Alderman
Mike Caruthers, Alderman

CITY OF MILLINGTON OFFICIALS

City Manager
City Clerk
Finance and Administration
Judge
Arts, Recreation, and Parks
Public Works
Planning and Economic Development
Public Safety

Ed Haley
Karen Findley
John Trusty
Wilson Wages
Kate Armitage
Jimmy Black
Jason Dixon
Gary Graves

MILLINGTON MUNICIPAL SCHOOLS BOARD OF EDUCATION

Cody Childress, Chairperson
Gregory Ritter, Vice Chairperson
Cecilia Haley, Board Member
Charles Hurt, Jr., Board Member

Donald Holsinger, Board Member
Larry Jackson, Board Member
Mary Kennon, Ed. D., Board Member

MILLINGTON MUNICIPAL SCHOOLS OFFICIALS

Director of Schools
Chief Financial Officer
Supervisor of Human Resources
Supervisor of Instructional Technology
Supervisor of Operations and Transportation
Supervisor of Regular Instruction
Supervisor of Special Education and Student Services
Supervisor of Special Services

David Roper, Ed. D.
Bruce Rasmussen
Amy Jones
Chris Scoggins
Oscar Brown
Georgia Dawson
Jill Church
Jerri Jackson, Ed. D.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and the general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Millington Municipal Schools (the "School"), which includes the General Purpose School Fund, a major fund, and the remaining funds of the School. The School funds are presented as special revenue funds in the financial statements of the City and represent 48 percent, 56 percent, and 67 percent, respectively of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the School, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and the general purpose school fund and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, individual fund schedules, other budgetary comparison schedules, and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards and the related notes are presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, individual fund schedules, other budgetary comparison schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed above, and the report of the other auditors, the combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supporting schedules on pages 105-110 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 21, 2016

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2016

Management's Discussion and Analysis

As management of the City of Millington (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$112,805,311 (net position). Of this amount, \$16,537,202 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported total fund balances of \$16,948,975. Of this amount, \$4,357,684 (unassigned fund balances) may be used to meet the general government's spending requirements.
- At the end of the current fiscal year, fund balance of the General Fund was \$9,414,298. This included a commitment of \$3,484,113 for financial stabilization, \$1,000,000 for emergencies and \$318,506 for library construction. The unassigned fund balance of \$4,357,684 represents 38% of total General Fund budgeted expenditures and transfers for FY17.
- During the fiscal year, the City authorized \$6 million and issued \$2,125,364 in general obligation notes payable for governmental capital improvements, including \$1,000,000 for schools, and issued \$285,502 in notes payable for the continuation of the renovation of the sewer plant. The City retired \$687,759 of principal in notes payable and debt from settlement with Shelby County Board of Education.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

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

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

The statement of activities presents information showing how the government's net position changed during the year ended June 30, 2016. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and General Purpose School Fund, which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. A summary budgetary comparison statement is included in the basic financial statements for the General Fund and the General Purpose School Fund. Budgetary comparison statements have been provided for each department of the General Fund and the General Purpose School Fund on pages 83 through 102 and for all other governmental funds on pages 67 through 81 to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented on pages 14 and 16.

Proprietary Funds – The City maintains one type of proprietary fund – an Enterprise fund. Such funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Funds operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements are presented on pages 20 through 22.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are presented on pages 23.

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 24 through 56 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City’s and the Millington Municipal School District’s annual pension cost, pages 57 through 64.

Other Information – This report also presents certain information concerning the City’s progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. This information is presented in Note 5, Note 8 and Note 9 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the City’s case, assets exceeded liabilities and deferred inflows of resources by \$112,805,311 at June 30, 2016.

Condensed Statement of Net Position (dollars expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 22,429 | \$ 19,887 | \$ 8,042 | \$ 6,607 | \$ 30,471 | \$ 26,494 |
| Capital assets | 90,492 | 86,308 | 15,654 | 16,403 | 106,146 | 102,711 |
| Total assets | <u>112,921</u> | <u>106,195</u> | <u>23,696</u> | <u>23,010</u> | <u>136,617</u> | <u>129,205</u> |
| Deferred Outflows of Resources | 4,422 | 1,712 | 71 | 80 | 4,493 | - |
| Noncurrent liabilities | 16,043 | 13,876 | 3,549 | 3,280 | 19,592 | 17,156 |
| Other liabilities | 3,241 | 2,371 | 271 | 397 | 3,512 | 2,768 |
| Total liabilities | <u>19,284</u> | <u>16,247</u> | <u>3,820</u> | <u>3,677</u> | <u>23,104</u> | <u>19,924</u> |
| Deferred Inflows of Resources | 5,151 | 3,913 | 50 | 154 | 5,201 | 4,067 |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 82,261 | 79,869 | 12,970 | 13,881 | 95,231 | 93,750 |
| Restricted | 1,037 | 1,126 | - | - | 1,037 | 1,126 |
| Unrestricted | 9,610 | 6,752 | 6,927 | 5,377 | 16,537 | 12,129 |
| Total net position | <u>\$ 92,908</u> | <u>\$ 87,747</u> | <u>\$ 19,897</u> | <u>\$ 19,258</u> | <u>\$ 112,805</u> | <u>\$ 107,005</u> |

By far the largest portion of the City’s net position (84%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that

is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$16,537,202) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The positive unrestricted net assets for governmental activities are reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------------------------|-------------------------|-----------|--------------------------|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues : | | | | | | |
| Program Revenues : | | | | | | |
| Charges for Services | \$ 2,504 | \$ 3,200 | \$ 3,128 | \$ 3,001 | \$ 5,632 | \$ 6,201 |
| Operating Grants and Contributions | 17,263 | 15,316 | - | - | 17,263 | 15,316 |
| Capital Grants and Contributions | 2,753 | 772 | 18 | 15 | 2,771 | 787 |
| General Revenues : | | | | | | |
| Local Taxes | 7,119 | 7,094 | - | - | 7,119 | 7,094 |
| Intergovernmental revenues | 14,068 | 15,077 | - | - | 14,068 | 15,077 |
| Interest on Investments | 6 | 5 | 3 | 2 | 9 | 7 |
| Other Revenue | 1,086 | 607 | 4 | 7 | 1,090 | 614 |
| Sale of commercial business line | - | 226 | - | - | - | 226 |
| Total Revenues | \$ 44,799 | \$ 42,297 | \$ 3,153 | \$ 3,025 | \$ 47,952 | \$ 45,322 |
| Expenses : | | | | | | |
| General Government | 2,455 | 2,680 | - | - | 2,455 | 2,680 |
| Public Safety | 5,697 | 6,081 | - | - | 5,697 | 6,081 |
| Community Services | 1,242 | 1,221 | - | - | 1,242 | 1,221 |
| Transportation and Environment | 2,986 | 3,092 | - | - | 2,986 | 3,092 |
| Education | 25,764 | 22,975 | - | - | 25,764 | 22,975 |
| Interest on long-term debt | 332 | 308 | - | - | 332 | 308 |
| Bond issuance costs | 36 | - | - | - | 36 | - |
| Water | - | - | 1,095 | 1,120 | 1,095 | 1,120 |
| Sewer | - | - | 1,419 | 1,346 | 1,419 | 1,346 |
| Total Expenses | 38,512 | 36,357 | 2,514 | 2,466 | 41,026 | 38,823 |
| Special Item: | | | | | | |
| Impairment of MMS capital assets | (1,126) | - | - | - | (1,126) | - |
| Increase/(Decrease) in Net Position | 5,161 | 5,940 | 639 | 559 | 5,800 | 6,499 |
| Net Position - Beginning | 87,747 | 82,019 | 19,258 | 18,725 | 107,005 | 100,744 |
| Cummulative effect of change in accounting principle | - | (212) | - | (26) | - | (238) |
| Net Position - Ending | \$ 92,908 | \$ 87,747 | \$ 19,897 | \$ 19,258 | \$ 112,805 | \$ 107,005 |

Governmental activities – Governmental activities increased the City's net position by \$5,160,878. Most categories of revenue were higher except charges for services and intergovernmental revenues. The City ceased to operate the air rescue and firefighting function for the Millington Airport Authority and sold its commercial sanitation collection operation, both as of June 30, 2015. Combined these represented

approximately \$624,000 in charges for services revenues and \$500,000 in expenditures. The large increase in education expenditures was primarily due to increased funding in instruction and support services as the Municipal School System worked through its second academic year in operation. The Special Item is an impairment loss of \$1,126,042 due to the permanent closing of the buildings and subsequent demolition after the fiscal year end.

Business-type activities – Business-type activities increased the City’s net position by \$639,394. The Water Fund increased by \$111,235 in net position. The Sewer Fund increased by \$528,159 in net position due to controlling of expenses.

Financial Analysis of the Government’s Funds

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

Governmental funds – The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. The basic governmental fund financial statements are presented beginning on page 14.

As of June 30, 2016, the City’s governmental funds reported combined ending fund balances of \$16,948,975, an increase of \$2,831,312 in comparison with the prior year. Approximately 26% of this total amount (\$4,357,684) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is made up of non-spendable, \$290,367, restricted, \$5,403,585, committed, \$4,985,417, and assigned \$1,911,922. The General Fund is the chief operating fund of the City.

At June 30, 2016, unassigned fund balance of the General Fund was \$4,357,684, while the total fund balance reached \$9,414,298. As a measure of the General Fund’s liquidity, it may be useful to compare the unassigned fund balance and the total fund balance to total fund expenditures including transfers. Unassigned fund balance represents 37% of total General Fund Expenditures and Transfers Out, while total fund balance represents 80% of that same amount.

The fund balance of the City’s General Fund increased by \$582,273 during the fiscal year ended June 30, 2016 compared to a \$1,519,527 increase the prior year. This decrease was caused by the intentional decision of the Board of Mayor and Aldermen to transfer \$1,000,000 to the Capital Projects Fund for pay-as-you-go improvements.

The increase in the fund balance for the General Purpose School Fund of \$ 604,959 was the result of conservative control of expenditures in the second year of classes.

The increase in the fund balance for Other Governmental Funds was \$1,310,411. The most significant portion of the increase is \$1,342,153 in the School Capital Projects Fund for future construction and renovations of school buildings.

Proprietary funds – The City’s Water and Sewer Funds both had a positive change in net position for FY16. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by 4% or \$526,161. When excluding \$1,057,730 budgeted as planned use of fund balance, revenues actually exceeded budget. The overage was a combination of the following categories:

- Taxes over budget by \$146,675.
- Intergovernmental revenues were \$332,489 over budget due to higher than expected collections from state sales and business taxes and state income tax.

General Fund expenditures were lower than budgeted by 9% or \$945,934 and transfers to other funds were lower by \$162,500 for a combined amount of \$1,108,434. The operating savings were due to not spending contingency of \$443,638 and the lower costs associated with a concerted effort of City government to control costs. The largest positive variance, excluding the contingency was in Arts, Recreation and Parks in the amount of \$113,632. Savings were achieved in all other departments as well.

Capital Assets and Debt Administration

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$106,145,550 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, infrastructure, machinery, equipment, and construction in progress. The City’s total investment in capital assets for the current fiscal year increased \$3,434,304. Governmental activities increased \$4,183,374 or 4.8% and business activities decreased \$749,070 or 4.6%.

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

Condensed Statement of Capital Assets (dollars expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|-----------|--------------------------|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 6,061 | \$ 6,061 | \$ 727 | \$ 727 | \$ 6,788 | \$ 6,788 |
| Buildings and improvements | 54,421 | 54,916 | 28,035 | 28,035 | 82,456 | 82,951 |
| Infrastructure | 31,477 | 28,786 | - | - | 31,477 | 28,786 |
| Furnishing and equipment | 1,706 | 1,580 | 3,898 | 3,898 | 5,604 | 5,478 |
| Vehicles | 3,789 | 3,786 | 688 | 665 | 4,477 | 4,451 |
| Construction in process | 4,697 | 755 | 23 | - | 4,720 | 755 |
| | 102,151 | 95,884 | 33,371 | 33,325 | 135,522 | 129,209 |
| Less accumulated depreciation | (11,659) | (9,576) | (17,717) | (16,922) | (29,376) | (26,498) |
| Total capital assets | \$ 90,492 | \$ 86,308 | \$ 15,654 | \$ 16,403 | \$ 106,146 | \$ 102,711 |

Noncurrent Liabilities – At June 30, 2016, the City had total noncurrent liabilities of \$20,550,792. Of this amount \$16,812,867 comprises debt for governmental activities and \$3,737,925 represents debt for business-type activities.

Condensed Statement of Outstanding Debt
(dollars expressed in thousands)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------------------------------------------------------------------------|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| General obligation notes payable Shelby County Board of Education settlement liability | \$ 8,230 | \$ 6,439 | \$ - | \$ - | \$ 8,230 | \$ 6,439 |
| Notes payable - construction | 2,000 | 2,172 | - | - | 2,000 | 2,172 |
| Compensated absences | - | - | 2,684 | 2,522 | 2,684 | 2,522 |
| Net other post employment benefit obligation | 363 | 379 | 63 | 78 | 426 | 457 |
| Net pension liability | 6,035 | 5,450 | 982 | 882 | 7,017 | 6,332 |
| Total noncurrent liabilities | 185 | - | 9 | - | 194 | - |
| | <u>\$ 16,813</u> | <u>\$ 14,440</u> | <u>\$ 3,738</u> | <u>\$ 3,482</u> | <u>\$ 20,551</u> | <u>\$ 17,922</u> |

Although the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount and type of debt it may issue. The City’s full faith, credit and taxing power are pledged to the repayment of all general obligation principal and interest.

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

Economic Factors and Next Year’s Budgets and Rates

Factors considered in preparing the City’s Budget for the 2017 fiscal year are more fully discussed in the Budget document and include:

- The Board of Mayor and Aldermen approved a tax rate to fund FY17 expenditures of \$1.53 per \$100 of assessed value, the same as the prior year.
- City service rates for sewer, sanitation, and storm water remain the same while rates for water were increased by 5%.
- The City has planned a \$6,269,781 debt issue to for construction of a new building for schools.
- The City will continue to reengineer the systems and processes in the delivery of its services and thereby control operating expenses.

Request for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Director of Finance and Administration, City of Millington, 7930 Nelson Road, Millington, Tennessee 38053. The Comprehensive Annual Financial Report as of June 30, 2016, Fiscal Year 2017 Approved Budget Document and other information about the City may be found on the City’s website, www.millingtontn.gov.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

| | Primary Government | | |
|---------------------------------------------|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 15,799,964 | \$ 7,667,952 | \$ 23,467,916 |
| Receivables | | | |
| Property taxes | 2,793,032 | - | 2,793,032 |
| City taxes and fees | 70,851 | - | 70,851 |
| Accounts | 283,637 | 486,763 | 770,400 |
| Other | 30,235 | 1,362 | 31,597 |
| Less allowance for doubtful accounts | (268,458) | (214,168) | (482,626) |
| Internal balances | 7,956 | (7,956) | - |
| Due from other governments | 3,390,643 | 50,617 | 3,441,260 |
| Inventory | 38,581 | - | 38,581 |
| Restricted cash | 11,600 | - | 11,600 |
| Prepaid Items | 251,786 | 57,848 | 309,634 |
| Net pension asset | 19,301 | - | 19,301 |
| Capital assets, not being depreciated | 10,757,957 | 750,146 | 11,508,103 |
| Capital assets, being depreciated, net | 79,733,848 | 14,903,599 | 94,637,447 |
| Total assets | <u>112,920,933</u> | <u>23,696,163</u> | <u>136,617,096</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | 4,422,412 | 71,615 | 4,494,027 |
| LIABILITIES | | | |
| Accounts payable | 771,895 | 22,349 | 794,244 |
| Retainage payable | 13,988 | - | 13,988 |
| Accrued expenses | 1,515,500 | 59,968 | 1,575,468 |
| Unearned revenue | 170,290 | - | 170,290 |
| Noncurrent liabilities | | | |
| Due within one year | 769,719 | 125,292 | 895,011 |
| Due in more than one year | 9,823,074 | 2,621,513 | 12,444,587 |
| Net pension liability | 185,219 | 8,713 | 193,932 |
| Net other postemployment benefit obligation | 6,034,855 | 982,407 | 7,017,262 |
| Total liabilities | <u>19,284,540</u> | <u>3,820,242</u> | <u>23,104,782</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 2,555,848 | - | 2,555,848 |
| Related to pensions | 2,595,119 | 50,063 | 2,645,182 |
| Total deferred inflows of resources | <u>5,150,967</u> | <u>50,063</u> | <u>5,201,030</u> |
| NET POSITION | | | |
| Net investment in capital assets | 82,261,171 | 12,970,307 | 95,231,478 |
| Restricted for | | | |
| Public safety | 121,962 | - | 121,962 |
| Transportation and environment | 704,344 | - | 704,344 |
| Education | 4,577,279 | - | 4,577,279 |
| Unrestricted | 5,243,082 | 6,927,166 | 12,170,248 |
| Total net position | <u>\$ 92,907,838</u> | <u>\$ 19,897,473</u> | <u>\$ 112,805,311</u> |

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------------------|----------------------|-------------------------|------------------------------------------|------------------------------------------------------|----------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-Type Activities |
| Primary government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 2,454,960 | \$ 285,817 | \$ 4,000 | \$ - | \$ (2,165,143) | \$ (2,165,143) |
| Public safety | 5,697,314 | 677,440 | 82,831 | - | (4,937,043) | (4,937,043) |
| Community services | 1,241,571 | 439,419 | - | - | (802,152) | (802,152) |
| Transportation and environment | 2,986,375 | 1,018,398 | 9,168 | 2,753,160 | 794,351 | 794,351 |
| Education | 25,764,446 | 82,947 | 17,166,846 | - | (8,514,653) | (8,514,653) |
| Interest and fiscal charges | 331,508 | - | - | - | (331,508) | (331,508) |
| Bond issuance costs | 36,000 | - | - | - | (36,000) | (36,000) |
| Total governmental activities | <u>38,512,174</u> | <u>2,504,021</u> | <u>17,262,845</u> | <u>2,753,160</u> | <u>(15,992,148)</u> | <u>(15,992,148)</u> |
| Business-type activities: | | | | | | |
| Water | 1,094,921 | 1,191,969 | - | 12,200 | - | 109,248 |
| Sewer | 1,419,349 | 1,936,456 | - | 6,250 | - | 523,357 |
| Total business-type activities | <u>2,514,270</u> | <u>3,128,425</u> | <u>-</u> | <u>18,450</u> | <u>-</u> | <u>632,605</u> |
| Total primary government | <u>\$ 41,026,444</u> | <u>\$ 5,632,446</u> | <u>\$ 17,262,845</u> | <u>\$ 2,771,610</u> | <u>(15,992,148)</u> | <u>632,605</u> |
| General revenues: | | | | | | |
| Local taxes | | | | | 7,119,470 | - |
| Intergovernmental | | | | | 14,068,205 | - |
| Interest on investments | | | | | 5,511 | 3,369 |
| Other revenues | | | | | 1,085,882 | 3,420 |
| Total general revenues | | | | | <u>22,279,068</u> | <u>6,789</u> |
| Special items: | | | | | | |
| Impairment of MMS capital assets | | | | | (1,126,042) | - |
| Total general revenues and special items | | | | | <u>21,153,026</u> | <u>6,789</u> |
| Change in net position | | | | | 5,160,878 | 639,394 |
| Net position - beginning of year | | | | | 87,746,960 | 19,258,079 |
| Net position - ending | | | | | <u>\$ 92,907,838</u> | <u>\$ 19,897,473</u> |

CITY OF MILLINGTON, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2016

| | General Fund | General Purpose School Fund | Capital Improvements Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------------------------------------------|----------------------|-----------------------------------|---------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 8,392,773 | \$ 4,419,998 | \$ 482,182 | \$ 2,505,011 | \$ 15,799,964 |
| Receivables | | | | | |
| Property taxes | 2,793,032 | - | - | - | 2,793,032 |
| City taxes and fees | 70,851 | - | - | - | 70,851 |
| Accounts | - | 4,176 | - | 279,461 | 283,637 |
| Other | 30,235 | - | - | - | 30,235 |
| Less allowance for doubtful accounts | (131,623) | - | - | (136,835) | (268,458) |
| Due from other funds | 6,503 | 127,204 | - | 76,432 | 210,139 |
| Due from other governments | 1,193,122 | 1,051,588 | 871,663 | 274,270 | 3,390,643 |
| Inventory | 27,343 | - | - | 11,238 | 38,581 |
| Restricted cash | 11,600 | - | - | - | 11,600 |
| Prepaid items | 226,652 | 3,422 | - | 21,712 | 251,786 |
| | <u>\$ 12,620,488</u> | <u>\$ 5,606,388</u> | <u>\$ 1,353,845</u> | <u>\$ 3,031,289</u> | <u>\$ 22,612,010</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 50,529 | \$ 97,284 | \$ 561,868 | \$ 62,214 | \$ 771,895 |
| Retainage payable | - | - | 13,988 | - | 13,988 |
| Accrued liabilities | 428,999 | 892,172 | - | 111,693 | 1,432,864 |
| Unearned revenue | - | 244,566 | 168,280 | 2,010 | 414,856 |
| Due to other funds | 69,308 | - | - | 132,875 | 202,183 |
| Total liabilities | <u>548,836</u> | <u>1,234,022</u> | <u>744,136</u> | <u>308,792</u> | <u>2,835,786</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | | | | | |
| Property taxes | 2,657,354 | - | - | - | 2,657,354 |
| Grants | - | - | 169,895 | - | 169,895 |
| Total deferred inflows of resources | <u>2,657,354</u> | <u>-</u> | <u>169,895</u> | <u>-</u> | <u>2,827,249</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 253,995 | 3,422 | - | 32,950 | 290,367 |
| Restricted | - | 4,368,944 | - | 1,034,641 | 5,403,585 |
| Committed | 4,802,619 | - | - | 182,798 | 4,985,417 |
| Assigned | - | - | 439,814 | 1,472,108 | 1,911,922 |
| Unassigned | 4,357,684 | 0 | - | - | 4,357,684 |
| Total fund balances | <u>9,414,298</u> | <u>4,372,366</u> | <u>439,814</u> | <u>2,722,497</u> | <u>16,948,975</u> |
| | <u>\$ 12,620,488</u> | <u>\$ 5,606,388</u> | <u>\$ 1,353,845</u> | <u>\$ 3,031,289</u> | <u>\$ 22,612,010</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 12,620,488</u> | <u>\$ 5,606,388</u> | <u>\$ 1,353,845</u> | <u>\$ 3,031,289</u> | <u>\$ 22,612,010</u> |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balances, governmental funds | \$ 16,948,975 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 90,491,805 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | 271,401 |
| Revenues no available to pay current expenditures are deferred in the funds. | 244,566 |
| Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds. | (82,636) |
| Long-term debt is not due and payable in the current period and, therefore, are not reported in the funds. | (10,229,993) |
| Compensated absences that are not due and payable in the current period are not reported in the governmental funds | (362,800) |
| Net pension asset, deferred outflows of resources, net pension liability, and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | 1,661,375 |
| Net other postemployment benefit obligation is applicable to future periods and, therefore, is not reported in the funds. | <u>(6,034,855)</u> |
| Net position of governmental activities | <u>\$ 92,907,838</u> |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | General Fund | General Purpose School Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|--------------------------------------------------------------|---------------------|-----------------------------------|---------------------------------|--------------------------------|----------------------|
| REVENUES | | | | | |
| Taxes | \$ 7,030,238 | \$ - | \$ - | \$ - | \$ 7,030,238 |
| Licenses and permits | 285,817 | - | - | - | 285,817 |
| Intergovernmental | 3,826,760 | 9,912,735 | - | 328,710 | 14,068,205 |
| Fines, forfeitures, and penalties | 626,327 | - | - | 51,113 | 677,440 |
| Charges for services | 439,419 | - | - | 1,101,345 | 1,540,764 |
| Federal, state, and local grants | 86,831 | 13,379,981 | 3,062,918 | 3,796,033 | 20,325,763 |
| Interest on investments | 4,719 | - | 135 | 657 | 5,511 |
| Other revenue | 80,913 | 279,799 | 40,899 | 684,271 | 1,085,882 |
| Total revenues | <u>12,381,024</u> | <u>23,572,515</u> | <u>3,103,952</u> | <u>5,962,129</u> | <u>45,019,620</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,855,394 | - | - | - | 1,855,394 |
| Public safety | 5,462,806 | - | - | 17,106 | 5,479,912 |
| Community services | 1,168,429 | - | - | - | 1,168,429 |
| Transportation and environment | 694,748 | - | - | 1,478,276 | 2,173,024 |
| Education | - | 21,279,899 | - | 3,724,769 | 25,004,668 |
| Debt services | | | | | |
| Principal | - | 230,219 | - | 334,000 | 564,219 |
| Interest and fiscal charges | - | - | - | 214,679 | 214,679 |
| Capital projects | - | 216,485 | 5,335,647 | 2,301,215 | 7,853,347 |
| Total expenditures | <u>9,181,377</u> | <u>21,726,603</u> | <u>5,335,647</u> | <u>8,070,045</u> | <u>44,313,672</u> |
| Excess (deficiency) of revenues over (under) expenditures | 3,199,647 | 1,845,912 | (2,231,695) | (2,107,916) | 705,948 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond issuance proceeds | - | - | 2,125,364 | - | 2,125,364 |
| Transfers in | - | 754,967 | 1,440,000 | 3,683,075 | 5,878,042 |
| Transfers out | <u>(2,617,374)</u> | <u>(1,995,920)</u> | <u>(1,000,000)</u> | <u>(264,748)</u> | <u>(5,878,042)</u> |
| Total other financing sources | <u>(2,617,374)</u> | <u>(1,240,953)</u> | <u>2,565,364</u> | <u>3,418,327</u> | <u>2,125,364</u> |
| Net change in fund balances | 582,273 | 604,959 | 333,669 | 1,310,411 | 2,831,312 |
| Fund balances - beginning | <u>8,832,025</u> | <u>3,767,407</u> | <u>106,145</u> | <u>1,412,086</u> | <u>14,117,663</u> |
| Fund balances - ending | <u>\$ 9,414,298</u> | <u>\$ 4,372,366</u> | <u>\$ 439,814</u> | <u>\$ 2,722,497</u> | <u>\$ 16,948,975</u> |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

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

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, and capital grants and contributions exceeded depreciation in the current period. | 4,183,374 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | (280,092) |
| Some revenues or expenditures reported in the statement of activities are not yet available or expensed and, therefore, are not reported as revenue or expenses in the governmental funds | 44,566 |
| Changes in interest payable on long-term debt | (59,264) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (1,618,710) |
| Compensated absence expenses are reported in the statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | 15,932 |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, are reported as pension expense. | 628,302 |
| Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, are reported as other postemployment benefit expense. | <u>(584,542)</u> |

| | |
|---------------------------------------------------|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 5,160,878</u></u> |
|---------------------------------------------------|----------------------------|

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|--------------------|--------------------|--------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$6,883,563 | \$6,883,563 | \$7,030,238 | \$ 146,675 |
| Licenses and permits | 308,200 | 308,200 | 285,817 | (22,383) |
| Intergovernmental | 3,849,434 | 3,494,271 | 3,826,760 | 332,489 |
| Charges for services | 424,500 | 424,500 | 439,419 | 14,919 |
| Fines, forfeitures, and penalties | 628,200 | 628,200 | 626,327 | (1,873) |
| Federal, state, and local grants | - | 46,656 | 86,831 | 40,175 |
| Interest on investments | 2,000 | 2,000 | 4,719 | 2,719 |
| Other | 119,795 | 1,119,795 | 80,913 | (1,038,882) |
| Total revenues | <u>12,215,692</u> | <u>12,907,185</u> | <u>12,381,024</u> | <u>(526,161)</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Finance and administration | 876,502 | 934,715 | 864,130 | 70,585 |
| General government | 1,202,786 | 969,926 | 478,076 | 491,850 |
| Courts | 257,526 | 259,126 | 251,350 | 7,776 |
| Codes and economic development | 286,898 | 287,824 | 215,065 | 72,759 |
| Personnel | 119,227 | 83,153 | 46,773 | 36,380 |
| Public Safety | | | | |
| Police department | 2,933,841 | 2,898,377 | 2,813,957 | 84,420 |
| Fire department | 2,806,876 | 2,650,920 | 2,648,849 | 2,071 |
| Community Services | | | | |
| Library | 324,437 | 329,751 | 321,626 | 8,125 |
| Arts, recreation, and parks | 960,435 | 960,435 | 846,803 | 113,632 |
| Public Works | 750,890 | 753,084 | 694,748 | 58,336 |
| Total expenditures | <u>10,519,418</u> | <u>10,127,311</u> | <u>9,181,377</u> | <u>945,934</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 1,696,274 | 2,779,874 | 3,199,647 | 419,773 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(1,696,274)</u> | <u>(2,779,874)</u> | <u>(2,617,374)</u> | <u>162,500</u> |
| Total other financing sources (uses) | <u>(1,696,274)</u> | <u>(2,779,874)</u> | <u>(2,617,374)</u> | <u>162,500</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 582,273 | <u>\$ 582,273</u> |
| Fund balance - beginning | | | <u>8,832,025</u> | |
| Fund balance - ending | | | <u>\$9,414,298</u> | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------------------------------------|-------------------|-----------------------|---------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 9,519,737 | \$ 9,624,995 | \$ 9,912,735 | \$ 287,740 |
| Federal government | 322,160 | 698,182 | 607,404 | (90,778) |
| State of Tennessee | 12,472,331 | 12,598,529 | 12,772,577 | 174,048 |
| Other revenue | 233,960 | 266,160 | 279,799 | 13,639 |
| Total revenues | <u>22,548,188</u> | <u>23,187,866</u> | <u>23,572,515</u> | <u>384,649</u> |
| EXPENDITURES | | | | |
| Instruction | 12,892,600 | 12,527,877 | 11,905,130 | 622,747 |
| Support services | 9,501,645 | 9,558,121 | 8,867,694 | 690,427 |
| Non-instructional | 506,559 | 508,408 | 507,075 | 1,333 |
| Capital outlay | 169,845 | 220,000 | 216,485 | 3,515 |
| Debt service | - | 230,219 | 230,219 | - |
| Total expenditures | <u>23,070,649</u> | <u>23,044,625</u> | <u>21,726,603</u> | <u>1,318,022</u> |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | (522,461) | 143,241 | 1,845,912 | 1,702,671 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from City | 500,000 | 730,219 | 730,219 | - |
| Transfers in | 22,461 | 22,461 | 24,748 | 2,287 |
| Transfers out | - | (1,995,920) | (1,995,920) | - |
| Total other financing sources (uses) | <u>522,461</u> | <u>(1,243,240)</u> | <u>(1,240,953)</u> | <u>2,287</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ (1,099,999)</u> | 604,959 | <u>\$ 1,704,958</u> |
| Fund balance - beginning | | | <u>3,767,407</u> | |
| Fund balance - ending | | | <u>\$ 4,372,366</u> | |

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2016

| | Water Fund | Sewer Fund | Total Proprietary Funds |
|-----------------------------------------|---------------------|----------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,463,000 | \$ 6,204,952 | \$ 7,667,952 |
| Receivables | | | |
| Customers | 274,905 | 211,858 | 486,763 |
| Other | 1,362 | - | 1,362 |
| Less allowance for doubtful accounts | (121,961) | (92,207) | (214,168) |
| Prepaid expenses | 28,141 | 29,707 | 57,848 |
| Due from other funds | - | 149,989 | 149,989 |
| Due from other governments | - | 50,617 | 50,617 |
| Total current assets | <u>1,645,447</u> | <u>6,554,916</u> | <u>8,200,363</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land | 2,407 | 724,542 | 726,949 |
| Buildings and improvements | 11,190,843 | 16,843,835 | 28,034,678 |
| Furnishings and equipment | 771,440 | 3,126,606 | 3,898,046 |
| Vehicles | 189,874 | 497,551 | 687,425 |
| Construction in progress | - | 23,197 | 23,197 |
| Less accumulated depreciation | <u>(6,122,338)</u> | <u>(11,594,212)</u> | <u>(17,716,550)</u> |
| Total capital assets | <u>6,032,226</u> | <u>9,621,519</u> | <u>15,653,745</u> |
| Total noncurrent assets | <u>6,032,226</u> | <u>9,621,519</u> | <u>15,653,745</u> |
| Total assets | <u>7,677,673</u> | <u>16,176,435</u> | <u>23,854,108</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pension | 34,191 | 37,424 | 71,615 |
| Total deferred outflows of resources | <u>34,191</u> | <u>37,424</u> | <u>71,615</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 9,735 | 12,614 | 22,349 |
| Accrued expenses | 35,326 | 22,612 | 57,938 |
| Due to other funds | 157,945 | - | 157,945 |
| Customer deposits | 1,835 | 195 | 2,030 |
| Total current liabilities | <u>204,841</u> | <u>35,421</u> | <u>240,262</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 34,984 | 28,383 | 63,367 |
| Net post employment benefit obligations | 425,188 | 557,219 | 982,407 |
| Net pension liability | 3,121 | 5,592 | 8,713 |
| State revolving fund loan | - | 125,292 | 125,292 |
| Long-term notes payable | - | 2,558,146 | 2,558,146 |
| Total noncurrent liabilities | <u>463,293</u> | <u>3,274,632</u> | <u>3,737,925</u> |
| Total liabilities | <u>668,134</u> | <u>3,310,053</u> | <u>3,978,187</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pension | 25,146 | 24,917 | 50,063 |
| Total deferred inflows of resources | <u>25,146</u> | <u>24,917</u> | <u>50,063</u> |
| NET POSITION | | | |
| Net investment in capital assets | 6,032,226 | 9,621,519 | 15,653,745 |
| Unrestricted | 986,358 | 3,257,370 | 4,243,728 |
| Total net position | <u>\$ 7,018,584</u> | <u>\$ 12,878,889</u> | <u>\$ 19,897,473</u> |

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Water Fund | Sewer Fund | Total Proprietary Funds |
|------------------------------------------|---------------------|----------------------|----------------------------|
| Operating revenues | | | |
| Sales | \$ 1,127,267 | \$ 1,902,565 | \$ 3,029,832 |
| Service connection fees | 38,448 | 10,048 | 48,496 |
| Forfeited discounts | 26,254 | 23,843 | 50,097 |
| Other | 1,331 | 2,089 | 3,420 |
| Total operating revenues | <u>1,193,300</u> | <u>1,938,545</u> | <u>3,131,845</u> |
| Operating expenses | | | |
| Administrative and general | 535,493 | 604,303 | 1,139,796 |
| Pumping and filtering | 210,320 | 172,877 | 383,197 |
| Distribution system | 60,445 | 95,253 | 155,698 |
| Depreciation | 288,663 | 505,936 | 794,599 |
| Total operating expenses | <u>1,094,921</u> | <u>1,378,369</u> | <u>2,473,290</u> |
| Operating income | 98,379 | 560,176 | 658,555 |
| Nonoperating revenues (expenses) | | | |
| Interest income | 656 | 2,713 | 3,369 |
| Interest expense | - | (40,980) | (40,980) |
| Total non-operating revenues (expenses) | <u>656</u> | <u>(38,267)</u> | <u>(37,611)</u> |
| Income before contributions | 99,035 | 521,909 | 620,944 |
| Capital contributions - tap fees | 8,150 | 2,200 | 10,350 |
| Capital contributions - development fees | 4,050 | 4,050 | 8,100 |
| Total capital contributions | <u>12,200</u> | <u>6,250</u> | <u>18,450</u> |
| Change in net position | 111,235 | 528,159 | 639,394 |
| Net position - beginning of year | <u>6,907,349</u> | <u>12,350,730</u> | <u>19,258,079</u> |
| Net position - ending | <u>\$ 7,018,584</u> | <u>\$ 12,878,889</u> | <u>\$ 19,897,473</u> |

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2016

| | Water Fund | Sewer Fund | Total Proprietary Funds |
|-----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 1,179,734 | \$ 1,939,295 | \$ 3,119,029 |
| Payments to suppliers | (327,287) | (342,001) | (669,288) |
| Payments to employees | (435,881) | (621,236) | (1,057,117) |
| Other receipts | 1,931 | 2,089 | 4,020 |
| Net cash provided by operating activities | <u>418,497</u> | <u>978,147</u> | <u>1,396,644</u> |
| CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to (from) other funds | 161,351 | (153,711) | 7,640 |
| CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from capital debt | - | 285,502 | 285,502 |
| Payments on capital debt | - | (123,540) | (123,540) |
| Capital contributions | 12,200 | 6,250 | 18,450 |
| Acquisition and construction of capital assets | (22,332) | (23,197) | (45,529) |
| Interest paid on capital debt | - | (40,980) | (40,980) |
| Net cash from (used for) capital and related financing activities | <u>(10,132)</u> | <u>104,035</u> | <u>93,903</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income received | 656 | 2,713 | 3,369 |
| Net increase in cash and cash equivalents | 570,372 | 931,184 | 1,501,556 |
| Cash and cash equivalents - beginning of the year | 892,628 | 5,273,768 | 6,166,396 |
| Cash and cash equivalents - end of the year | <u><u>\$ 1,463,000</u></u> | <u><u>\$ 6,204,952</u></u> | <u><u>\$ 7,667,952</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income | \$ 98,379 | \$ 560,176 | \$ 658,555 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 288,663 | 505,936 | 794,599 |
| Pension expense in excess of employer contributions | (6,865) | (7,951) | (14,816) |
| Change in assets and liabilities | | | |
| Receivables | | | |
| Customers | (12,286) | (7,282) | (19,568) |
| Other | (1,184) | - | (1,184) |
| Prepaid expenses | (2,433) | (2,343) | (4,776) |
| Due from other governments | - | 9,926 | 9,926 |
| Restricted cash | 1,235 | 195 | 1,430 |
| Accounts payable | 3,853 | 11,810 | 15,663 |
| Accrued expenses | 3,406 | (132,675) | (129,269) |
| Customer deposits | 600 | - | 600 |
| Compensated absences | (5,187) | (9,383) | (14,570) |
| Net post employment benefit obligations | 50,316 | 49,738 | 100,054 |
| Net cash provided by operating activities | <u><u>\$ 418,497</u></u> | <u><u>\$ 978,147</u></u> | <u><u>\$ 1,396,644</u></u> |

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND – STUDENT ACTIVITY FUNDS

For the Year Ended June 30, 2016

| | Balance June 30, 2016 |
|-----------------------------|--------------------------|
| ASSETS | |
| Cash | \$ 264,897 |
| Inventory | <u>3,918</u> |
| Total assets | <u>\$ 268,815</u> |
| LIABILITIES | |
| Due to student general fund | \$ 147,701 |
| Due to student groups | <u>121,114</u> |
| Total liabilities | <u>\$ 268,815</u> |

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Millington, Tennessee (the City) was incorporated in 1903 and operates under a City Charter enacted in 1903 with various amendments ending in 2014. The City operates under a Mayor and Alderman form of government and provides the following services as authorized by its charter: public health and safety, streets, sanitation, water and sewage, recreation, and general administrative services.

The financial statements of the City include the financial statements of Millington Municipal Schools Board of Education ("the School" or "MMS"), a blended component unit of the City of Millington, Tennessee. MMS is a legally separate organization that includes all the public schools within the City of Millington, Tennessee. MMS has a separately elected governing board but is fiscally dependent on the City. The City provides funding and issues debt for its capital projects. The School's general purpose fund, federal projects fund, cafeteria fund, and capital projects fund represent special revenue funds of the City and the School's student activity funds are an agency fund of the City.

The financial statements of the City have been prepared in accordance with *generally accepted accounting principles* (GAAP) followed in the United States of America. In the United States the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City. As required by GAAP, these financial statements present the government and its component units, legally separate entities for which the City is considered to be financially accountable.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. As a general rule, 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.

2. Governmental Fund Financial Statements

The government fund financial statements of the City are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Governmental fund financial statements include a balance sheet and

statement of revenues, expenditures, and changes in fund balance individually for all major governmental funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund. The governmental funds of the City are described below.

a. Major Governmental Funds:

The **General Fund** is the primary operating fund of the City and accounts for all financial resources of the general government, except those specifically provided for in another fund. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the General Fund.

The **General Purpose School Fund** is the primary operating fund of the School and accounts for all the financial resources of the School except those required to be accounted for in another School fund.

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

b. Nonmajor Governmental Funds:

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

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

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

The **DEA Drug Fund** accounts for the receipts and expenditures related to the City's share of proceeds from federally 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 **School Federal Projects Fund** accounts for the receipts and expenditures of the School's federally funded programs.

The **School Cafeteria Fund** accounts for the receipts and expenditures related to the School's cafeteria operations. These funds are required to be maintained in a separate fund.

The **School Capital Projects Fund** accounts for all the School's capital improvement projects.

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.

3. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user

charges and the measurement of financial activity focuses on net income measurement similar to private sector businesses.

The City reports the following major enterprise funds:

a. 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.

4. Fiduciary Fund Financial Statements

Agency funds are fiduciary funds used to account for assets held by the City in a purely custodial capacity, and, therefore, do not involve the measurement of results of operations. Agency fund financial statements include a statement of fiduciary net position. The agency fund is as follows:

The **School Student Activities Fund** accounts for student activity funds that record transactions for the general school population, or in some cases, for a specific segment of the school population. These funds were audited in a separate report and can be obtained by contacting Millington Municipal Schools.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus that applies.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

1. Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus. Accordingly, all of the City's assets and liabilities, including capital assets as well as current year infrastructure assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds are accounted for using the "economic resources" measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resource (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

All governmental funds utilize a "current financial resource" measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

2. Basis of Accounting

In the government-wide financial statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds utilize the accrual basis of accounting. 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 water and sewer funds are charges to customers for sales and services as well as the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses 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.

Governmental fund financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. 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. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Licenses and permits, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as other financing sources.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balances

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. All certificates of deposit are considered to be cash and cash equivalents.

2. Receivables and payables

All trade and taxes receivable are shown net of an allowance for doubtful accounts. All property values are assessed on January 1 of each year. 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. Property taxes receivable are recorded at this lien date. Penalties and interest are assessed on unpaid property taxes after the delinquent date.

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”. Permanent reallocations of resources between funds of the City are classified as interfund transfers.

Receivables due from other governments are primarily from the State of Tennessee and the United States government. No allowance for uncollectible amounts has been recognized.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 outstanding court bonds payable.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years for property, plant, and equipment. Capital assets for infrastructure are defined as those assets with an initial individual cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received. Infrastructure assets purchased or received prior to July 1, 2003 have not been recorded.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Land and construction in progress are not depreciated. The other property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| | |
|------------------------------------------|-------------|
| Buildings and building improvements | 15-50 years |
| Infrastructure | 50 years |
| Machinery, equipment, and heavy vehicles | 7-20 years |
| Automobiles | 5 years |

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

7. Compensated absences and overtime

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government, instead this time is credited toward service years in calculating pension benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

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. 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.

The School's personnel policies do not allow any vested accumulation of annual leave, except for certain administrative employees. Balances of accrued annual leave are not material at year end. Sick leave can be accumulated for an unlimited number of days; however the employee retains no vested interest.

8. Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Discounts are deferred and amortized over the life of the related obligation using the effective-interest method. Amounts payable are reported net of the applicable discount.

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

9. Fund balance and flow assumption policy

Governmental fund equity is classified as fund balance. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – amounts that cannot be spent because they are either in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.

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

Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the City's highest level of decision making authority, the Mayor and Board of Aldermen. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board reviews or changes the commitment by taking the same action it employed to impose the commitment. The School's highest level of decision making authority is the Board of Education.

Assigned – amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee, such as the Mayor or a committee, authorized by the Board of Mayor and Aldermen for a specific purpose in accordance with the policy established by the Board of Mayor and Aldermen. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. At this time the Board of Education has maintained the authorization to assign fund balance for the School Funds.

Unassigned – amounts available for any purpose in the General Fund.

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

10. Fund balance committed for General Fund

The Board of Mayor and Aldermen established a financial stabilization account, an emergency account, and a library construction account as committed parts of the fund balance for the General Fund. The financial stabilization account is established as 30% of the appropriations for the next fiscal year in order to have a method of dealing with revenue shortages or other unanticipated budgetary needs. The emergency account is established at \$1,000,000 for use in covering catastrophic losses, including natural and man-made disasters. The library construction account is established as 50% of collections from the red light camera/speed van violations less expenditures for the library. The balances of these accounts at June 30, 2016 are \$3,484,113, \$1,000,000, and \$318,506, respectively.

12. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's

participation in the Public Employee Retirement Plan and the School's participation in the Teacher Legacy Pension Plan, Teacher Retirement Plan, and Political Subdivision Pension Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Investments are reported at fair value.

E. Use of estimates

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

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

| | |
|-------------------------------------------------------------------------------------------------------------------|----------------------|
| Governmental funds capital assets | \$ 102,150,991 |
| Less: accumulated depreciation | <u>(11,659,186)</u> |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental funds | <u>\$ 90,491,805</u> |

The reconciliation also explains that "long-term debt is not due and payable in the current period and, therefore, is not reported in the funds." The details of this difference are as follows:

| | |
|----------------------------------------------------------------------------------------------------------------------|------------------------|
| Notes payable | \$ (8,230,364) |
| Settlement liability, net of issuance discount | <u>(1,999,629)</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ (10,229,993)</u> |

Another element of that reconciliation explains that "net pension asset, deferred outflows of resources, net pension liability, and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds." The details of this difference are as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net pension asset | \$ 19,301 |
| Pension changes in experience | (1,473,522) |
| Pension contributions after measurement date | 1,565,455 |
| Net pension liability | (185,219) |
| Pension changes in investment earnings | (876,273) |
| Pension changes in proportionate share | 2,611,633 |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 1,661,375</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 funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the difference are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Capital outlay | \$ 7,520,999 |
| Depreciation expense | (2,205,083) |
| Loss on disposal of capital assets | <u>(1,132,542)</u> |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u><u>\$ 4,183,374</u></u> |

The reconciliation also states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds." The details of the difference are as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Issuance of capital note | \$ (2,125,364) |
| Principal repayment on long-term debt | 564,219 |
| Amortization of settlement liability discount | <u>(57,565)</u> |
| Net adjustment to reduce net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u><u>\$ (1,618,710)</u></u> |

Another element of that explanation that "governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, are reported as pension expense." The details of this difference are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Pension contributions after measurement date | \$ 1,565,455 |
| Actuarial determined pension expense | (937,153) |
| Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u><u>\$ 628,302</u></u> |

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds. The budget is adopted at the department 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 department level.

The City Manager is required by charter to present to the Board of Mayor and Alderman a preliminary budget for the upcoming fiscal year by May 1st. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on three readings before it is adopted and becomes the approved spending plan for the City.

The City Manager 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 department 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, 2016, no fund's expenditures exceeded appropriations.

C. Budgetary basis of accounting

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits with financial institutions

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

At year end, the City's carrying amount of deposits was \$23,479,516, including \$264,897 of cash held in the student activity fund and \$11,600 of restricted cash, and the bank balance was \$24,393,359. Of the bank balance, \$770,492 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$23,622,867 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.

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 | General Purpose School Fund | Nonmajor Governmental Funds | Water Fund | Sewer Fund | Total |
|---------------------------------------|--------------|-----------------------------|-----------------------------|------------|------------|--------------|
| Receivables: | | | | | | |
| Property taxes | \$ 2,793,032 | \$ - | \$ - | \$ - | \$ - | \$ 2,793,032 |
| City taxes and fees | 70,851 | - | - | - | - | 70,851 |
| Accounts receivable | - | 4,176 | 279,461 | 274,905 | 211,858 | 770,400 |
| Other | 30,235 | - | - | 1,362 | - | 31,597 |
| Gross receivables | 2,894,118 | 4,176 | 279,461 | 276,267 | 211,858 | 3,665,880 |
| Less: allowance for doubtful accounts | (131,623) | - | (136,835) | (121,961) | (92,207) | (482,626) |
| Net total receivables | \$ 2,762,495 | \$ 4,176 | \$ 142,626 | \$ 154,306 | \$ 119,651 | \$ 3,183,254 |

Property tax revenues in the general fund are reported net of uncollectible amounts. The allowance for uncollectible property taxes decreased for the current year resulting in an increase in reported revenues of \$44,833.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, unavailable revenue of \$2,657,354 for property taxes receivable and \$169,895 grants was reported in governmental funds.

Unavailable revenues included in property taxes receivable result primarily from the pro-rata share of 2016 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

C. Interfund receivables, payables, and transfers

At June 30, 2016, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. Outstanding balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made.

The composition of interfund balances as of June 30, 2016, is as follows:

| Due to: | Due from: | | | Total |
|-----------------------------|--------------|-----------------------------|------------|------------|
| | General Fund | Nonmajor Governmental Funds | Water Fund | |
| General fund | \$ - | \$ 5,671 | \$ 832 | \$ 6,503 |
| General purpose school fund | - | 127,204 | - | 127,204 |
| Nonmajor governmental funds | - | - | 76,432 | 76,432 |
| Sewer fund | 69,308 | - | 80,681 | 149,989 |
| | \$ 69,308 | \$ 132,875 | \$ 157,945 | \$ 360,128 |

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

Interfund transfers for the City during the year ended June 30, 2016, are as follows:

| | Transfer in: | | | Total |
|-----------------------------|-----------------------------|---------------------------|-----------------------------|---------------------|
| | General Purpose School Fund | Capital Improvements Fund | Nonmajor Governmental Funds | |
| Transfer out: | | | | |
| General fund | \$ 730,219 | \$ 1,200,000 | \$ 687,155 | \$ 2,617,374 |
| General purpose school fund | - | - | 1,995,920 | 1,995,920 |
| Nonmajor governmental funds | 24,748 | 240,000 | 1,000,000 | 1,264,748 |
| | <u>\$ 754,967</u> | <u>\$ 1,440,000</u> | <u>\$ 3,683,075</u> | <u>\$ 5,878,042</u> |

D. Capital assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|---------------------|-----------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,060,989 | \$ - | \$ - | \$ 6,060,989 |
| Construction in progress | 755,269 | 7,387,923 | (3,446,224) | 4,696,968 |
| Total capital assets, not being depreciated | <u>6,816,258</u> | <u>7,387,923</u> | <u>(3,446,224)</u> | <u>10,757,957</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 54,916,484 | 679,720 | (1,175,000) | 54,421,204 |
| Infrastructure | 28,786,040 | 2,690,372 | - | 31,476,412 |
| Furnishings and equipment | 1,579,916 | 126,306 | - | 1,706,222 |
| Vehicles | 3,785,653 | 82,902 | (79,359) | 3,789,196 |
| Total capital assets, being depreciated | <u>89,068,093</u> | <u>3,579,300</u> | <u>(1,254,359)</u> | <u>91,393,034</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (5,424,116) | (1,252,853) | 48,958 | (6,628,011) |
| Infrastructure | (574,610) | (590,155) | - | (1,164,765) |
| Furnishings and equipment | (943,055) | (96,585) | - | (1,039,640) |
| Vehicles | (2,634,139) | (265,490) | 72,859 | (2,826,770) |
| Total accumulated depreciation | <u>(9,575,920)</u> | <u>(2,205,083)</u> | <u>121,817</u> | <u>(11,659,186)</u> |
| Total capital assets, being depreciated, net | <u>79,492,173</u> | <u>1,374,217</u> | <u>(1,132,542)</u> | <u>79,733,848</u> |
| Governmental activities capital assets, net | <u>\$ 86,308,431</u> | <u>\$ 8,762,140</u> | <u>\$ (4,578,766)</u> | <u>\$ 90,491,805</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|---------------------|-------------|----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 726,949 | \$ - | \$ - | \$ 726,949 |
| Construction in progress | - | 23,197 | - | 23,197 |
| Total capital assets, not being depreciated | <u>726,949</u> | <u>23,197</u> | <u>-</u> | <u>750,146</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 28,034,678 | - | - | 28,034,678 |
| Furnishings and equipment | 3,898,046 | - | - | 3,898,046 |
| Vehicles | 665,093 | 22,332 | - | 687,425 |
| Total capital assets, being depreciated | <u>32,597,817</u> | <u>22,332</u> | <u>-</u> | <u>32,620,149</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (12,933,263) | (710,383) | - | (13,643,646) |
| Furnishings and equipment | (3,521,167) | (52,173) | - | (3,573,340) |
| Vehicles | (467,521) | (32,043) | - | (499,564) |
| Total accumulated depreciation | <u>(16,921,951)</u> | <u>(794,599)</u> | <u>-</u> | <u>(17,716,550)</u> |
| Total capital assets, being depreciated, net | <u>15,675,866</u> | <u>(772,267)</u> | <u>-</u> | <u>14,903,599</u> |
| Business-type activities capital assets, net | <u>\$ 16,402,815</u> | <u>\$ (749,070)</u> | <u>\$ -</u> | <u>\$ 15,653,745</u> |

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

| | |
|-------------------------------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 46,291 |
| Public safety | 246,099 |
| Community services | 120,594 |
| Transportation and environment | 808,175 |
| Education | 983,924 |
| Total depreciation expense - governmental activities | <u>\$ 2,205,083</u> |
| Business-Type Activities: | |
| Water | \$ 288,663 |
| Sewer | 505,936 |
| Total depreciation expense - business-type activities | <u>\$ 794,599</u> |

Governmental activities buildings and improvements include an impairment loss of \$1,126,042, related to MMS, due to the permanent closing of the buildings and subsequent demolition after the fiscal year end.

E. Long-term debt

1. General obligation notes payable

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

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

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

2. Construction note payable

In August 2011, the City entered into a construction loan agreement to borrow up to \$2,827,400 from the TN State Revolving Fund Loan. Money is drawn as needed for the construction project. Repayments of principal will begin ninety days after the Project is completed. At June 30, 2016, the balance outstanding was \$2,683,438 and the interest rate on this loan was 1.41%.

3. Settlement liability

In January 2014, the County Commission of Shelby County, Tennessee, the City and the School entered into a settlement agreement to resolve all claims and contentions between the parties concerning the formation of the School. As a condition of the settlement, the School agreed to pay the Shelby County Board of Education twelve annual payments of \$230,219 for a total of \$2,762,628 due by November 1 of each year commencing on November 1, 2014. During the year ended June 30, 2016, the School made their second payment of \$230,219 and recognized interest expense of \$57,565 using an effective interest rate of 2.89%. At June 30, 2016, the net present value outstanding was \$1,199,629.

4. Changes in noncurrent liabilities

Noncurrent liability activity for the year ended June 30, 2016, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Notes payable | \$ 6,439,000 | \$ 2,125,364 | \$ (334,000) | \$ 8,230,364 | \$ 539,500 |
| Shelby County Board of Education settlement liability | 2,532,409 | - | (230,219) | 2,302,190 | 230,219 |
| Less deferred amounts for issuance discount | (360,126) | - | 57,565 | (302,561) | - |
| Total long-term debt | 8,611,283 | 2,125,364 | (506,654) | 10,229,993 | 769,719 |
| Compensated absences | 378,732 | - | (15,932) | 362,800 | - |
| Net pension liability* | - | 185,219 | - | 185,219 | - |
| Net other postemployment benefit obligation* | 5,450,313 | 584,542 | - | 6,034,855 | - |
| Governmental activities noncurrent liabilities | <u>\$ 14,440,328</u> | <u>\$ 2,895,125</u> | <u>\$ (522,586)</u> | <u>\$ 16,812,867</u> | <u>\$ 769,719</u> |

*net increase (decrease) is shown

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------------|----------------------|-------------------|---------------------|---------------------|------------------------|
| Business-type activities: | | | | | |
| Notes payable - construction | \$ 2,521,476 | \$ 285,502 | \$ (123,540) | \$ 2,683,438 | \$ 125,292 |
| Compensated absences | 77,937 | - | (14,570) | 63,367 | - |
| Net pension liability* | - | 8,713 | - | 8,713 | - |
| Net post employment benefit obligation* | 882,353 | 100,054 | - | 982,407 | - |
| | <u>\$ 3,481,766</u> | <u>\$ 394,269</u> | <u>\$ (138,110)</u> | <u>\$ 3,737,925</u> | <u>\$ 125,292</u> |

*net increase (decrease) is shown

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

| Years Ending June 30 | Government Activities | | Business-Type Activities | |
|-------------------------|-----------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 716,780 | \$ 310,141 | \$ 125,292 | \$ 37,032 |
| 2018 | 738,374 | 287,844 | 127,068 | 35,256 |
| 2019 | 760,791 | 264,842 | 128,880 | 33,444 |
| 2020 | 783,737 | 241,174 | 130,704 | 31,620 |
| 2021 | 807,313 | 216,746 | 132,564 | 29,760 |
| 2022-2026 | 3,439,998 | 734,103 | 691,548 | 120,072 |
| 2027-2031 | 1,483,000 | 386,560 | 742,032 | 69,588 |
| 2032-2036 | 1,500,000 | 142,656 | 605,350 | 16,837 |
| | <u>\$ 10,229,993</u> | <u>\$ 2,584,066</u> | <u>\$ 2,683,438</u> | <u>\$ 373,609</u> |

F. Fund Balances By Purpose

Following is more detailed information on the governmental fund balances:

| | General Fund | General Purpose School Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|-----------------------------|---------------------|-----------------------------|---------------------------|--------------------------|----------------------|
| Nonspendable for: | | | | | |
| Inventory | \$ 27,343 | \$ - | \$ - | \$ 11,238 | \$ 38,581 |
| Prepaid expenses | 226,652 | 3,422 | - | 21,712 | 251,786 |
| Total nonspendable | 253,995 | 3,422 | - | 32,950 | 290,367 |
| Restricted for: | | | | | |
| Drug enforcement | - | - | - | 121,962 | 121,962 |
| Streets | - | - | - | 115,130 | 115,130 |
| Sanitation | - | - | - | 589,214 | 589,214 |
| Schools | - | 4,368,944 | - | 208,335 | 4,577,279 |
| Total restricted | - | 4,368,944 | - | 1,034,641 | 5,403,585 |
| Committed to: | | | | | |
| Financial stabilization | 3,484,113 | - | - | - | 3,484,113 |
| Emergency | 1,000,000 | - | - | - | 1,000,000 |
| Library construction | 318,506 | - | - | - | 318,506 |
| Drainage control | - | - | - | 182,798 | 182,798 |
| Total committed | 4,802,619 | - | - | 182,798 | 4,985,417 |
| Assigned to: | | | | | |
| Purchase order encumbrances | - | - | - | 1,472,108 | 1,472,108 |
| Capital improvements | - | - | 439,814 | - | 439,814 |
| Total assigned | - | - | 439,814 | 1,472,108 | 1,911,922 |
| Unassigned | 4,357,684 | - | - | - | 4,357,684 |
| Total fund balances | <u>\$ 9,414,298</u> | <u>\$ 4,372,366</u> | <u>\$ 439,814</u> | <u>\$ 2,722,497</u> | <u>\$ 16,948,975</u> |

For flow assumption policy regarding use of fund balance types, refer to Note 1(D)(9).

NOTE 5 – PENSION PLANS

The City of Millington and Millington Municipal Schools participate in the following plans administered by the Tennessee Consolidated Retirement System (“TCRS”).

- I. City of Millington, Tennessee Agent Plan (“City Agent Plan”)
- II. Millington Municipal Schools Teacher Legacy Pension Plan (“MMS TLPP”)
- III. Millington Municipal Schools Teacher Retirement Plan (“MMS TRP”)
- IV. Millington Municipal Schools Political Subdivision Pension Plan (“MMS PSPP”)

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

The net pension asset/liability and deferred outflows/inflows of resources reported on the statement of net position are summarized as follows for each plan:

| | Net Pension Asset | Deferred Outflows of Resources | Net Pension Liability | Deferred Inflows of Resources |
|--------------------------------------|----------------------|--------------------------------------|--------------------------|-------------------------------------|
| Governmental activities: | | | | |
| City Agent Plan | \$ - | \$ 583,279 | \$ 81,818 | \$ 370,991 |
| MMS TLPP | - | 3,604,333 | 100,021 | 2,202,612 |
| MMS TRP | 19,301 | 64,360 | - | 6,282 |
| MMS PSPP | - | 170,440 | 3,380 | 15,234 |
| Total governmental activities | \$ 19,301 | \$ 4,422,412 | \$ 185,219 | \$ 2,595,119 |
| Business-type activities: | | | | |
| City Agent Plan | \$ - | \$ 71,615 | \$ 8,713 | \$ 50,063 |

Details of the components of deferred outflows/inflows of resources are presented on the following pages.

I. City of Millington, Tennessee Agent Plan

A. General Information about the Pension Plan

Plan Description

Employees of Millington are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the

same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest

Employees Covered By Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|---------------------------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 92 |
| Inactive employees entitled to but not yet receiving benefits | 149 |
| Active employees | 165 |
| | <hr style="border-top: 1px solid black;"/> |
| | <hr style="border-top: 3px double black;"/> |
| | 406 |

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees of the City are non-contributory. Millington makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (“ADC”) for Millington was \$530,147 based on a rate of 8.14% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Millington’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liability (Asset)

Millington’s net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------------------------|
| Inflation | 3.0% |
| Salary increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment rate of return | 7.5%, net of pension plan investment expenses, including inflation |
| Cost-of-living adjustment | 2.5% |

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---------------------------------------|----------------------------------------------|----------------------|
| U.S equity | 6.46% | 33.00% |
| Developed market international equity | 6.26% | 17.00% |
| Emerging market international equity | 6.40% | 5.00% |
| Private equity and strategic lending | 4.61% | 8.00% |
| U.S fixed income | 0.98% | 29.00% |
| Real estate | 4.73% | 7.00% |
| Short-term securities | 0.00% | 1.00% |
| | | 100.00% |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Millington will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|------------------------------------------------------------------|-------------------------------------------|---------------------------------------|-----------------------------------------------|
| | Total Pension Liability (Asset) (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at 6/30/14 | \$ 21,927,805 | \$ 22,592,871 | \$ (665,066) |
| Changes for the year: | | | |
| Service cost | 500,187 | - | 500,187 |
| Interest | 1,646,311 | - | 1,646,311 |
| Differences between expected and actual experience | (179,845) | - | (179,845) |
| Contributions - employer | - | 530,147 | (530,147) |
| Net investment income | - | 689,233 | (689,233) |
| Benefit payments, including refunds of employee contributions | (954,367) | (954,367) | - |
| Administrative expenses | - | (8,324) | 8,324 |
| Net changes | <u>1,012,286</u> | <u>256,689</u> | <u>755,597</u> |
| Balance at 6/30/15 | <u>\$ 22,940,091</u> | <u>\$ 22,849,560</u> | <u>\$ 90,531</u> |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Millington calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|--------------------------------------------|----------------------|-----------------------------------|-----------------------|
| Millington's net pension liability (asset) | <u>\$ 3,232,297</u> | <u>\$ 90,531</u> | <u>\$ (2,512,490)</u> |

D. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2016, Millington recognized pension expense of \$334,866.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, Millington reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 178,367 | \$ 149,872 |
| Net difference between projected and actual earnings on pension plan investments | - | 271,182 |
| Contributions subsequent to the measurement date of June 30, 2015 | 476,527 | N/A |
| Total | <u>\$ 654,894</u> | <u>\$ 421,054</u> |

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|--------------|
| 2017 | \$ (141,711) |
| 2018 | (141,711) |
| 2019 | (141,711) |
| 2020 | 212,420 |
| 2021 | (29,974) |
| Thereafter | - |

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

II. Millington Municipal Schools Teacher Legacy Pension Plan

A. General Information about the Pension Plan

Plan Description

Teachers with membership in the TCRS before July 1, 2014 of MMS are provided with pensions through the TLPP, a cost sharing multiple-employer pension plan administered by the TCRS. The TLPP closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan (TRP) became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014 who did not have prior membership in TCRS. The TRP is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the TLPP are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five

years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the TLPP, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the TLPP are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by MMS for the year ended June 30, 2016 to the TLPP were \$912,429 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2016, MMS reported a liability of \$100,021 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. MMS's proportion of the net pension liability was based on MMS's share of contributions to the pension plan relative to the contributions of all LEAs. At the June 30, 2015 measurement date, MMS's proportion was 0.244172 percent. The proportion measured as of June 30, 2014 was 0.000664 percent.

Pension Expense

For the year ended June 30, 2016, MMS recognized a pension expense of \$437,884 related to the TLPP.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, MMS reported deferred outflows of resources and deferred inflows of resources related to the TLPP from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 80,271 | \$ 1,556,844 |
| Net difference between projected and actual earnings of pension plan investments | - | 645,768 |
| Changes in proportion of net pension liability (asset) | 2,611,633 | - |
| LEA's contributions subsequent to the measurement date of June 30, 2015 | 912,429 | N/A |
| Total | <u>\$ 3,604,333</u> | <u>\$ 2,202,612</u> |

MMS employer contributions of \$912,429, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an decrease in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|--------------|
| 2017 | \$ (138,750) |
| 2018 | (138,750) |
| 2019 | (138,750) |
| 2020 | 678,529 |
| 2021 | 227,012 |
| Thereafter | - |

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------------------------|
| Inflation | 3.0% |
| Salary Increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment rate of return | 7.5%, net pension plan investment expenses, including inflation |
| Cost-of Living Adjustment | 2.5% |

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three

techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---------------------------------------|----------------------------------------------|----------------------|
| U.S. equity | 6.46% | 33.00% |
| Developed market international equity | 6.26% | 17.00% |
| Emerging market international equity | 6.40% | 5.00% |
| Private equity and strategic lending | 4.61% | 8.00% |
| U.S. fixed income | 0.98% | 29.00% |
| Real estate | 4.73% | 7.00% |
| Short-term securities | 0.00% | 1.00% |
| | | 100.00% |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate

The following presents MMS's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what MMS's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|----------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| MMS's proportionate share of the net pension liability (asset) | \$ 6,819,106 | \$ 100,021 | \$ (5,462,589) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

III. Millington Municipal Schools Teacher Retirement Plan

A. General Information about the Pension Plan

Plan Description

Teachers with membership in the TCRS before July 1, 2014 of MMS are provided with pensions through the TLPP, a cost sharing multiple-employer pension plan administered by the TCRS. The TLPP closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the TRP became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The TRP is a separate cost-sharing, multiple- employer defined benefit plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the TRP are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the TRP, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the TRP Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the TRP were \$62,800, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2015, MMS reported an asset of \$19,301 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability (asset) used to calculate the net pension asset was determined by an actuarial value at that date. MMS's proportion of the net pension asset was based on MMS's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30 2015, MMS's proportion was 0.479760 percent.

Pension Expense

For the year ended June 30, 2016, MMS recognized pension expense of \$25,294.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, MMS reported deferred outflows of resources and deferred inflows of resources related to the TRP from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 6,282 |
| Net difference between projected and actual earnings of pension plan investments | 1,560 | - |
| LEA's contributions subsequent to the measurement date of June 30, 2015 | 62,800 | N/A |
| Total | <u>\$ 64,360</u> | <u>\$ 6,282</u> |

MMS's employer contributions of \$62,800, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|----------|
| 2017 | \$ (133) |
| 2018 | (133) |
| 2019 | (133) |
| 2020 | (133) |
| 2021 | (524) |
| Thereafter | (3,665) |

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|------------------------------------------------------------------------------------------------|
| Inflation | 3.0% |
| Salary Increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment rate of return | 7.5%, net pension plan investment expenses, including inflation |
| Cost-of Living Adjustment | 2.5% |

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---------------------------------------|----------------------------------------------|----------------------|
| U.S. equity | 6.46% | 33.00% |
| Developed market international equity | 6.26% | 17.00% |
| Emerging market international equity | 6.40% | 5.00% |
| Private equity and strategic lending | 4.61% | 8.00% |
| U.S. fixed income | 0.98% | 29.00% |
| Real estate | 4.73% | 7.00% |
| Short-term securities | 0.00% | 1.00% |
| | | 100.00% |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate

The following presents MMS's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what MMS's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|----------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| MMS's proportionate share of the net pension liability (asset) | \$ 3,422 | \$ (19,301) | \$ (35,966) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

IV. Millington Municipal Schools Political Subdivision Pension Plan

A. General Information about the Pension Plan

Plan Description

Employees of the Board of Education of MMS are provided with pensions through the PSPP, an agent multiple-employer pension plan administered by the TCRS. Legislation passed in 2013 permits a local board of education to participate in TCRS separately from the local government.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of the legacy PSPP are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered By Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|--------------------------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 7 |
| Active employees | 75 |
| | <hr style="border-top: 1px solid black;"/> |
| | <u>82</u> |

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Support personnel and non-teachers contribute 5 percent of their salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution ("ADC") for PSPP was \$182,233 based on a rate of 8.14% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the PSPP were \$165,710, which is 8.14% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits

earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liability (Asset)

MMS's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------------------------|
| Inflation | 3.0% |
| Salary increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment rate of return | 7.5%, net of pension plan investment expenses, including inflation |
| Cost-of-living adjustment | 2.5% |

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---------------------------------------|----------------------------------------------|----------------------|
| U.S equity | 6.46% | 33.00% |
| Developed market international equity | 6.26% | 17.00% |
| Emerging market international equity | 6.40% | 5.00% |
| Private equity and strategic lending | 4.61% | 8.00% |
| U.S fixed income | 0.98% | 29.00% |
| Real estate | 4.73% | 7.00% |
| Short-term securities | 0.00% | 1.00% |
| | | 100.00% |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---------------------------------------------------------------|---------------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability (Asset) | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balances at 6/30/14 | \$ - | \$ - | \$ - |
| Changes for the year: | | | |
| Service cost | 272,709 | - | 272,709 |
| Interest | 20,415 | - | 20,415 |
| Differences between expected and actual experience | (17,138) | - | (17,138) |
| Contributions - employer | - | 182,233 | (182,233) |
| Contributions - employees | - | 90,476 | (90,476) |
| Net investment income | - | 4,119 | (4,119) |
| Benefit payments, including refunds of employee contributions | (1,005) | (1,005) | - |
| Administrative expenses | - | (4,222) | 4,222 |
| Net changes | <u>274,981</u> | <u>271,601</u> | <u>3,380</u> |
| Balance at 6/30/15 | <u>\$ 274,981</u> | <u>\$ 271,601</u> | <u>\$ 3,380</u> |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Millington calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|-------------------------------------|----------------------|-----------------------------------|----------------------|
| MMS's net pension liability (asset) | 54,571 | 3,380 | (37,786) |

D. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2016, MMS recognized pension expense of \$196,117 related to the PSPP.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, MMS reported deferred outflows of resources and deferred inflows of resources related to the PSPP from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 15,234 |
| Net difference between projected and actual earnings on pension plan investments | 4,730 | - |
| Contributions subsequent to the measurement date of June 30, 2015 | 165,710 | N/A |
| Total | <u>\$ 170,440</u> | <u>\$ 15,234</u> |

The PSPP contributions of \$165,710 reported as pension related deferred outflow of resources subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | | |
|---------------------|----|---------|
| 2017 | \$ | (722) |
| 2018 | \$ | (722) |
| 2019 | \$ | (722) |
| 2020 | \$ | (722) |
| 2021 | | (1,904) |
| Thereafter | | (5,712) |

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

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 \$121,106 for the year ended June 30, 2016.

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 Mid-South and Shelby County, the City provides service from the sewer treatment plant at a cost of \$3.42 per thousand gallons.

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

From time to time, several lawsuits against the City are ongoing. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying general purpose financial statements.

The City is a common paymaster for the Millington Industrial Development Board. This arrangement allows their 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 related employee benefits disbursements.

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 year ended June 30, 2016.

NOTE 8 – CITY OF MILLINGTON OTHER POST EMPLOYMENT BENEFITS

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, 21 retirees and spouses are participating in post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. The City pays 65% of the premium for health care benefits for retirees and their dependents.

A. Plan Description

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

B. Funding Policy

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provision of GASB Statement 45 for employers in plans with more than 100 hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years. For fiscal year 2016, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$115,724. 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 | \$ 906,120 |
| Interest on net OPEB obligation | 253,307 |
| Adjustment to annual required contribution | <u>(359,107)</u> |
| Annual OPEB cost | 800,320 |
| Contributions or payments made | <u>(115,724)</u> |
| Increase in net OPEB obligation | 684,596 |
| Net OPEB obligation, beginning of year | 6,332,666 |
| Net OPEB obligation, end of year | <u><u>\$ 7,017,262</u></u> |
| Percentage of expense contributed | <u><u>14.46%</u></u> |

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, 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, 2015 | \$ - | \$ 7,915,825 | \$ 7,915,825 | 0.00% | \$ 5,209,593 | 151.95% |
| July 1, 2013 | \$ - | \$ 8,853,382 | \$ 8,853,382 | 0.00% | \$ 5,658,639 | 156.46% |
| July 1, 2011 | \$ - | \$ 10,558,534 | \$ 10,558,534 | 0.00% | \$ 6,428,037 | 164.26% |

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, 2015 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions include a 4% a year rate of investment return and 6.50% a year level rate for health care costs trend.

NOTE 9 – MILLINGTON MUNICIPAL SCHOOLS OTHER POST EMPLOYMENT BENEFITS

On June 6, 2016, the Millington Municipal Schools Board of Education passed a resolution to participate in the Tennessee School Boards Association OPEB Trust (“TSBA OPEB Trust”). MMS funded the TSBA OPEB Trust with an initial deposit of \$50,000. On September 6, 2016, MMS approved a retiree healthcare plan to be administered by the TSBA OPEB Trust to be effective January 1, 2017.

NOTE 10 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY OF MILLINGTON'S NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------------------------------------|----------------------|-------------------------|
| Total Pension Liability | | |
| Service cost | \$ 500,187 | \$ 514,637 |
| Interest | 1,646,311 | 1,544,121 |
| Differences between actual and expected experience | (179,845) | 267,551 |
| Benefit payments, including refunds of employee contributions | <u>(954,367)</u> | <u>(944,283)</u> |
| Net change in total pension liability | 1,012,286 | 1,382,026 |
| Total pension liability-beginning | <u>21,927,805</u> | <u>20,545,779</u> |
| Total pension liability-ending | \$ 22,940,091 | \$ 21,927,805 |
| Plan Fiduciary Net Position | | |
| Contributions-employer | \$ 530,147 | \$ 511,544 |
| Net investment income | 689,233 | 3,238,712 |
| Benefit payments, including refunds of employee contributions | (954,367) | (944,283) |
| Administrative expense | <u>(8,324)</u> | <u>(7,143)</u> |
| Net change in plan fiduciary net position | 256,689 | 2,798,830 |
| Plan fiduciary net position-beginning | <u>22,592,871</u> | <u>19,794,041</u> |
| Plan fiduciary net position-ending | \$ 22,849,560 | \$ 22,592,871 |
| Net pension liability (asset) | <u>\$ 90,531</u> | <u>\$ (665,066)</u> |
| Plan fiduciary net position as a percentage of total pension liability (asset) | 99.61% | 103.03% |
| Covered-employee payroll | \$ 6,512,864 | \$ 6,346,701 |
| Net pension liability (asset) as a percentage of covered-employee payroll | 1.39% | -10.48% |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF THE CITY OF MILLINGTON'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 469,835 | \$ 530,147 | \$ 511,544 |
| Contributions in relation to the actuarially determined contribution | <u>469,835</u> | <u>530,147</u> | <u>511,544</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 5,771,931 | \$ 6,512,864 | \$ 6,346,701 |
| Contributions as a percentage of covered employee payroll | 8.14% | 8.14% | 8.06% |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | |
|-------------------------------|------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Frozen initial liability |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | 20 years |
| Asset valuation | 10-year smoothed within a 20% corridor to market value |
| Inflation | 3.0% |
| Salary increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment Rate of Return | 7.5%, net of investment expense, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.5% |

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF MILLINGTON MUNICIPAL SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET – TEACHER LEGACY PENSION PLAN OF TCRS

For the Year Ended June 30*

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------------------------------------------------------------------------|--------------|-------------|
| MMS's proportion of the net pension liability (asset) | 0.244172% | 0.066400% |
| MMS's proportionate share of the net pension liability (asset) | \$ 100,021 | \$ (108) |
| MMS's covered payroll | \$ 9,140,585 | \$ 26,054 |
| MMS's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 1.09% | -0.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.81% | 100.08% |

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF MILLINGTON MUNICIPAL SCHOOL'S CONTRIBUTIONS –
TEACHER LEGACY PENSION PLAN OF TCRS**

For Fiscal Years Ended June 30

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------|----------------|----------------|--------------|
| Contractually required | \$ 912,429 | \$ 826,309 | \$ 2,314 |
| Contributions in relation to the contractually required contribution | <u>912,429</u> | <u>826,309</u> | <u>2,314</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| MMS's covered-employee payroll | 10,093,257 | \$ 9,140,585 | \$ 26,054 |
| Contributions as a percentage of MMS's covered-employee payroll | 9.04% | 9.04% | 8.88% |

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF MILLINGTON MUNICIPAL SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET – TEACHER RETIREMENT PLAN OF TCRS

Fiscal Year Ending June 30*

| | 2016 |
|-------------------------------------------------------------------------------------------------------|-------------|
| MMS's proportion of the net pension liability (asset) | 0.479760% |
| MMS's proportionate share of the net pension liability (asset) | \$ (19,301) |
| MMS's covered payroll | \$ 996,818 |
| MMS's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -1.94% |
| Plan fiduciary net position as a percentage of the total pension liability | 127.46% |

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF MILLINGTON MUNICIPAL SCHOOL'S CONTRIBUTIONS –
TEACHER RETIREMENT PLAN OF TCRS**

For Fiscal Years Ended June 30

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------------------------------------------------------------|--------------------|--------------------|
| Contractually required | \$ 39,250 | \$ 997 |
| Contributions in relation to the contractually required contribution | <u>62,800</u> | <u>39,873</u> |
| Contribution deficiency (excess) | <u>\$ (23,550)</u> | <u>\$ (38,876)</u> |
| MMS's covered-employee payroll | \$ 1,569,972 | \$ 996,818 |
| Contributions as a percentage of Millington Municipal School's covered-employee payroll | 4.00% | 4.00% |

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON
MILLINGTON MUNICIPAL SCHOOLS PARTICIPATION IN THE
POLITICAL SUBDIVISION PENSION PLAN OF TCRS**

For Fiscal Years Ended June 30

| | <u>2015</u> |
|--------------------------------------------------------------------------------------|----------------------------|
| Total Pension Liability (Asset) | |
| Service cost | \$ 272,709 |
| Interest | 20,415 |
| Differences between actual and expected experience | (17,138) |
| Benefit payments, including refunds of employee contributions | <u>(1,005)</u> |
| Net change in total pension liability (asset) | 274,981 |
| Total pension liability (asset)-beginning | - |
| Total pension liability (asset)-ending | <u>\$ 274,981</u> |
| Plan Fiduciary Net Position | |
| Contributions-employer | \$ 182,233 |
| Contributions-employee | 90,476 |
| Net investment income | 4,119 |
| Benefit payments, including refunds of employee contributions | (1,005) |
| Administrative expense | <u>(4,222)</u> |
| Net change in plan fiduciary net position | 271,601 |
| Plan fiduciary net position-beginning | - |
| Plan fiduciary net position-ending | <u>271,601</u> |
| Net pension liability (asset)-ending | <u><u>\$ 3,380</u></u> |
| Plan fiduciary net position as a percentage of total pension liability | 98.77% |
| Covered-employee payroll | \$ 2,238,733 |
| Net pension liability (asset) as a percentage of covered-employee payroll | 0.15% |

Schedule of Contributions - Political Subdivision Pension Plan

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF MILLINGTON MUNICIPAL SCHOOLS CONTRIBUTIONS –
POLITICAL SUBDIVISION PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

| | 2016 | 2015 |
|----------------------------------------------------------------------|--------------|--------------|
| Actuarially determined contribution | \$ 165,710 | \$ 182,233 |
| Contributions in relation to the actuarially determined contribution | 165,710 | 182,233 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered-employee payroll | \$ 2,035,748 | \$ 2,238,733 |
| Contributions as a percentage of covered-employee payroll | 8.14% | 8.14% |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Note 1 - VALUATION DATE

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation

Note 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | |
|-------------------------------|------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Frozen initial liability |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | 0 Year |
| Asset valuation | 10 year smoothed within a 20% corridor to market value |
| Inflation | 3.0% |
| Salary increases | Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25% |
| Investment Rate of Return | 7.5%, net of investment expenses, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.5% |

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

| | Special Revenue Funds | | | | | | | Debt Service Fund | Total Nonmajor Governmental Funds | |
|--------------------------------------------|-----------------------|-------------------|-------------------|------------------|-------------------|------------------------------|-----------------------|---------------------|-----------------------------------|------------------------------|
| | State Street Aid Fund | Sanitation Fund | Drug Fund | DEA Drug Fund | Storm Water Fund | School Federal Projects Fund | School Cafeteria Fund | | | School Capital Projects Fund |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 95,768 | \$ 454,687 | \$ 100,826 | \$ 26,199 | \$ 140,896 | \$ - | \$ 212,777 | \$ 1,473,858 | \$ - | \$ 2,505,011 |
| Receivables | | | | | | | | | | |
| Accounts | - | 229,300 | - | - | 50,161 | - | - | - | - | 279,461 |
| Less allowance | - | (109,023) | - | - | (27,812) | - | - | - | - | (136,835) |
| Due from other funds | - | 56,879 | - | - | 19,553 | - | - | - | - | 76,432 |
| Due from other governments | 59,464 | - | 348 | - | - | 214,458 | - | - | - | 274,270 |
| Inventory | - | - | - | - | - | - | 11,238 | - | - | 11,238 |
| Prepaid items and other assets | - | 20,192 | - | - | 1,520 | - | - | - | - | 21,712 |
| Total assets | \$ 155,232 | \$ 652,035 | \$ 101,174 | \$ 26,199 | \$ 184,318 | \$ 214,458 | \$ 224,015 | \$ 1,473,858 | \$ - | \$ 3,031,289 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable | \$ 37,930 | \$ 11,981 | \$ 5,224 | \$ - | \$ - | \$ 2,897 | \$ 2,432 | \$ 1,750 | \$ - | \$ 62,214 |
| Accrued liabilities | - | 27,336 | - | - | - | 84,357 | - | - | - | 111,693 |
| Unearned revenue | - | - | - | - | - | - | 2,010 | - | - | 2,010 |
| Due to other funds | 2,172 | 3,312 | - | 187 | - | 127,204 | - | - | - | 132,875 |
| Total liabilities | 40,102 | 42,629 | 5,224 | 187 | - | 214,458 | 4,442 | 1,750 | - | 308,792 |
| FUND BALANCES | | | | | | | | | | |
| Nonspendable | - | 20,192 | - | - | 1,520 | - | 11,238 | - | - | 32,950 |
| Restricted | 115,130 | 589,214 | 95,950 | 26,012 | - | - | 208,335 | - | - | 1,034,641 |
| Committed | - | - | - | - | 182,798 | - | - | - | - | 182,798 |
| Assigned | - | - | - | - | - | - | - | 1,472,108 | - | 1,472,108 |
| Total fund balances | 115,130 | 609,406 | 95,950 | 26,012 | 184,318 | - | 219,573 | 1,472,108 | - | 2,722,497 |
| Total liabilities and fund balances | \$ 155,232 | \$ 652,035 | \$ 101,174 | \$ 26,199 | \$ 184,318 | \$ 214,458 | \$ 224,015 | \$ 1,473,858 | \$ - | \$ 3,031,289 |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Special Revenue Funds | | | | | | | | Debt Service Fund | Total Nonmajor Governmental Funds |
|--------------------------------------------------------------|--------------------------|--------------------|------------------|---------------------|------------------------|------------------------------------|-----------------------------|------------------------------------|-------------------------|--------------------------------------------|
| | State Street Aid Fund | Sanitation Fund | Drug Fund | DEA Drug Fund | Storm Water Fund | School Federal Projects Fund | School Cafeteria Fund | School Capital Projects Fund | | |
| REVENUES | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | |
| Gasoline & motor fuel tax | \$ 209,777 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 209,777 |
| Three cent tax | 62,572 | - | - | - | - | - | - | - | - | 62,572 |
| Gas 1989 tax | 33,713 | - | - | - | - | - | - | - | - | 33,713 |
| Petroleum special tax | 22,648 | - | - | - | - | - | - | - | - | 22,648 |
| Fines and forfeitures | - | - | 7,518 | 43,595 | - | - | - | - | - | 51,113 |
| Charges for services | - | 768,017 | - | - | 250,381 | - | 82,947 | - | - | 1,101,345 |
| Federal, state, and local grants | - | 9,168 | - | - | - | 2,318,100 | 1,468,765 | - | - | 3,796,033 |
| Interest on investments | 25 | 235 | 102 | 151 | 144 | - | - | - | - | 657 |
| Other revenue | - | 19,585 | 11,074 | 5 | 6,053 | - | 106 | 647,448 | - | 684,271 |
| Total revenues | <u>328,735</u> | <u>797,005</u> | <u>18,694</u> | <u>43,751</u> | <u>256,578</u> | <u>2,318,100</u> | <u>1,551,818</u> | <u>647,448</u> | <u>-</u> | <u>5,962,129</u> |
| EXPENDITURES | | | | | | | | | | |
| Public safety | - | - | 5,117 | 11,989 | - | - | - | - | - | 17,106 |
| Transportation and environment | 447,391 | 713,650 | - | - | 317,235 | - | - | - | - | 1,478,276 |
| Education | - | - | - | - | - | 2,293,352 | 1,431,417 | - | - | 3,724,769 |
| Debt service - principal | - | - | - | - | - | - | - | - | 334,000 | 334,000 |
| Debt service - interest & fiscal charges | - | - | - | - | - | - | - | - | 214,679 | 214,679 |
| Capital projects | - | - | - | - | - | - | - | 2,301,215 | - | 2,301,215 |
| Total expenditures | <u>447,391</u> | <u>713,650</u> | <u>5,117</u> | <u>11,989</u> | <u>317,235</u> | <u>2,293,352</u> | <u>1,431,417</u> | <u>2,301,215</u> | <u>548,679</u> | <u>8,070,045</u> |
| Excess (deficiency) of revenues over (under) expenditures | (118,656) | 83,355 | 13,577 | 31,762 | (60,657) | 24,748 | 120,401 | (1,653,767) | (548,679) | (2,107,916) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | 138,931 | - | - | - | - | - | - | 2,995,920 | 548,224 | 3,683,075 |
| Transfers out | - | - | - | (240,000) | - | (24,748) | - | - | - | (264,748) |
| Total other financing sources | <u>138,931</u> | <u>-</u> | <u>-</u> | <u>(240,000)</u> | <u>-</u> | <u>(24,748)</u> | <u>-</u> | <u>2,995,920</u> | <u>548,224</u> | <u>3,418,327</u> |
| Net change in fund balance | 20,275 | 83,355 | 13,577 | (208,238) | (60,657) | - | 120,401 | 1,342,153 | (455) | 1,310,411 |
| Fund balances - beginning | <u>94,855</u> | <u>526,051</u> | <u>82,373</u> | <u>234,250</u> | <u>244,975</u> | <u>-</u> | <u>99,172</u> | <u>129,955</u> | <u>455</u> | <u>1,412,086</u> |
| Fund balances - ending | <u>\$ 115,130</u> | <u>\$ 609,406</u> | <u>\$ 95,950</u> | <u>\$ 26,012</u> | <u>\$ 184,318</u> | <u>\$ -</u> | <u>\$ 219,573</u> | <u>\$ 1,472,108</u> | <u>\$ -</u> | <u>\$ 2,722,497</u> |

INDIVIDUAL FUND SCHEDULES

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – STATE STREET AID FUND**

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|-----------------------------------------------------------|------------------|----------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental | | | | |
| Gasoline and motor fuel tax | \$ 185,353 | \$ 185,353 | \$ 209,777 | \$ 24,424 |
| Gas three cent tax | 55,399 | 55,399 | 62,572 | 7,173 |
| Gas 1989 tax | 29,511 | 29,511 | 33,713 | 4,202 |
| Petroleum special tax | 21,953 | 21,953 | 22,648 | 695 |
| Interest on investments | 30 | 30 | 25 | (5) |
| Total revenues | <u>292,246</u> | <u>292,246</u> | <u>328,735</u> | <u>36,489</u> |
| EXPENDITURES | | | | |
| Street Department | | | | |
| Travel and training | 1,000 | 1,000 | - | 1,000 |
| Advertising | - | 1,500 | 1,095 | 405 |
| Street lights | 260,000 | 252,000 | 251,051 | 949 |
| Telephone | 2,600 | 2,600 | 1,215 | 1,385 |
| ROW maintenance | 20,000 | 20,000 | 13,500 | 6,500 |
| Repair and maintenance equipment | 5,000 | 5,000 | 1,020 | 3,980 |
| Repair and maintenance vehicle | 5,000 | 5,000 | 1,978 | 3,022 |
| Maintenance agreement | 1,500 | 1,500 | 375 | 1,125 |
| Street and traffic light repair | 16,000 | 34,000 | 29,247 | 4,753 |
| Street repair and maintenance | 100,000 | 72,850 | 72,724 | 126 |
| Sign materials | 12,000 | 15,500 | 11,468 | 4,032 |
| Fuel billed by public works | 35,000 | 35,000 | 14,797 | 20,203 |
| Repairs by public works shop | 20,000 | 27,500 | 22,854 | 4,646 |
| Operational supplies | 7,000 | 7,000 | 6,652 | 348 |
| Uniforms | 5,000 | 5,000 | 2,457 | 2,543 |
| Expendable furnishings and equipment | 2,000 | 8,150 | 8,130 | 20 |
| Road Materials | 25,000 | 19,500 | 4,828 | 14,672 |
| Vehicle | - | 4,000 | 4,000 | - |
| Total expenditures | <u>517,100</u> | <u>517,100</u> | <u>447,391</u> | <u>69,709</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (224,854) | (224,854) | (118,656) | 106,198 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>224,854</u> | <u>224,854</u> | <u>138,931</u> | <u>(85,923)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>20,275</u> | <u>\$ 20,275</u> |
| Fund balance - beginning | | | <u>94,855</u> | |
| Fund balance - ending | | | <u>\$ 115,130</u> | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fees for services | | | | |
| Commercial fees | \$ 230,000 | \$ - | \$ 5,976 | \$ 5,976 |
| Residential fees | 740,000 | 740,000 | 762,041 | 22,041 |
| Federal grants | - | - | 9,168 | 9,168 |
| Interest on investments | 60 | 60 | 235 | 175 |
| Other | 22,000 | 22,000 | 19,585 | (2,415) |
| Planned use of prior year funds | 143,628 | 143,628 | - | (143,628) |
| Total revenues | <u>1,135,688</u> | <u>905,688</u> | <u>797,005</u> | <u>(108,683)</u> |
| EXPENDITURES | | | | |
| Public Works | | | | |
| Salaries | 403,554 | 355,842 | 355,827 | 15 |
| Overtime | 2,000 | - | - | - |
| Vacation Pay at Retirement | - | 4,135 | 4,134 | 1 |
| Reimbursement for billing by City Hall | 38,078 | 38,078 | 38,078 | - |
| Allocate PW Director | 17,046 | 17,046 | 17,046 | - |
| Health insurance | 79,696 | 65,678 | 65,635 | 43 |
| Life insurance | 2,093 | 1,882 | 1,792 | 90 |
| FICA | 25,145 | 20,742 | 19,708 | 1,034 |
| Medicare | 5,881 | 5,272 | 4,609 | 663 |
| Retirement | 33,012 | 29,539 | 28,983 | 556 |
| Workers compensation insurance | 23,415 | 23,471 | 23,470 | 1 |
| Medical testing | 500 | 500 | 410 | 90 |
| Insurance for retirees | 3,200 | 3,200 | 3,030 | 170 |
| Travel and training | 1,050 | 1,000 | - | 1,000 |
| Advertising | 1,000 | 500 | 315 | 185 |
| Telephone expense | 750 | 750 | 699 | 51 |
| Contracts | - | 10,000 | 7,986 | 2,014 |
| Audit | 1,545 | 1,635 | 1,635 | - |
| Repairs and maintenance equipment | 15,000 | 1,400 | - | 1,400 |
| Repairs and maintenance vehicle | 50,000 | 35,000 | 28,163 | 6,837 |
| Maintenance agreement | 7,100 | 6,682 | 5,556 | 1,126 |
| Fuel billed by public works | 65,000 | 47,000 | 20,451 | 26,549 |
| Repairs by public works shop | 37,000 | 25,000 | 22,885 | 2,115 |
| Solid waste disposal | 32,000 | 18,600 | 15,785 | 2,815 |
| Operational supplies | 7,300 | 9,000 | 7,433 | 1,567 |
| Equipment purchases | 4,000 | 22,700 | 22,660 | 40 |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| EXPENDITURES (continued) | | | | |
| Uniforms | \$ 5,300 | \$ 5,000 | \$ 4,687 | \$ 313 |
| General liability insurance | 3,465 | 3,465 | 2,164 | 1,301 |
| Errors and omissions insurance | 2,107 | 2,107 | 1,432 | 675 |
| Auto liability insurance | 9,451 | 9,451 | 9,077 | 374 |
| Tipping fee | 12,000 | - | - | - |
| Truck purchases | 248,000 | - | - | - |
| Contingency | - | 141,013 | - | 141,013 |
| Total expenditures | <u>1,135,688</u> | <u>905,688</u> | <u>713,650</u> | <u>192,038</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 83,355 | \$ 83,355 |
| Fund balance - beginning | | | <u>526,051</u> | |
| Fund balance - ending | | | <u>\$ 609,406</u> | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------|------------------|---------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Fines, forfeitures, and penalties | | | | |
| Fines and confiscations | \$ - | \$ - | \$ 6,043 | \$ 6,043 |
| Drug fines | - | - | 1,475 | 1,475 |
| Interest on investments | - | - | 102 | 102 |
| Other | - | - | 11,074 | 11,074 |
| Planned use of fund balance | 12,822 | 12,822 | - | (12,822) |
| Total revenues | <u>12,822</u> | <u>12,822</u> | <u>18,694</u> | <u>5,872</u> |
| EXPENDITURES | | | | |
| Drug Abuse | | | | |
| Training and travel | - | 2,200 | 563 | 1,637 |
| Educational material | 500 | 300 | - | 300 |
| Confidential undercover expense | 2,000 | - | - | - |
| Phone expense | 150 | 150 | - | 150 |
| Audit fees | 1,030 | 1,100 | 1,100 | - |
| Maintenance agreement | 6,142 | 6,142 | 605 | 5,537 |
| Dog expense | 3,000 | 2,930 | 2,849 | 81 |
| Total expenditures | <u>12,822</u> | <u>12,822</u> | <u>5,117</u> | <u>7,705</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 13,577 | <u>\$ 13,577</u> |
| Fund balance - beginning | | | <u>82,373</u> | |
| Fund balance - ending | | | <u>\$ 95,950</u> | |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEA DRUG FUND**

For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------------------------------------|-------------------------|----------------|---------------------------|---------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Fines, forfeitures, and penalties | | | | |
| DEA federal shared proceeds | \$ 46,500 | \$ 46,500 | \$ 43,595 | \$ (2,905) |
| Interest on investments | 30 | 30 | 151 | 121 |
| Cash Over (Short) | - | - | 5 | 5 |
| Planned use of fund balance | - | 240,000 | - | (240,000) |
| Total revenues | <u>46,530</u> | <u>286,530</u> | <u>43,751</u> | <u>(242,779)</u> |
| EXPENDITURES | | | | |
| DEA Drug | | | | |
| Travel and training | 5,000 | 5,000 | 1,533 | 3,467 |
| Special Investigation Expense | - | 600 | 520 | 80 |
| Audit fees | 1,030 | 1,100 | 1,100 | - |
| Repair and maintenance vehicle | 1,000 | 1,000 | 520 | 480 |
| Fuel billed by public works | 7,000 | 7,000 | 1,021 | 5,979 |
| Repairs by public works shop | 2,500 | 2,500 | 486 | 2,014 |
| Supplies | 3,000 | 3,000 | 1,346 | 1,654 |
| Equipment purchase | 19,000 | 18,330 | 2,334 | 15,996 |
| Gas and oil | 1,000 | 1,500 | 874 | 626 |
| Expendable furnishings and equipment | 4,000 | 3,500 | - | 3,500 |
| Vehicle towing | 3,000 | 3,000 | 2,255 | 745 |
| Equipment for cars | - | - | - | - |
| Total expenditures | <u>46,530</u> | <u>46,530</u> | <u>11,989</u> | <u>34,541</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | - | 240,000 | 31,762 | (208,238) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (240,000) | (240,000) | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(208,238)</u> | <u>\$ (208,238)</u> |
| Fund balance - beginning | | | <u>234,250</u> | |
| Fund balance - ending | | | <u>\$ 26,012</u> | |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – STORM WATER FUND**

For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------------|-------------------------|----------------|---------------------------|---------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Charges for services | | | | |
| Commercial fees | \$ 168,000 | \$ 168,000 | \$ 161,943 | \$ (6,057) |
| Residential fees | 89,000 | 89,000 | 88,438 | (562) |
| Interest on investments | 100 | 100 | 144 | 44 |
| Other | 5,200 | 5,200 | 6,053 | 853 |
| Planned use of fund balance | 98,058 | 98,058 | - | (98,058) |
| Total revenues | <u>360,358</u> | <u>360,358</u> | <u>256,578</u> | <u>(103,780)</u> |
| EXPENDITURES | | | | |
| Storm Water Control | | | | |
| Reimbursement for billing by City Hall | 38,078 | 38,078 | 38,078 | - |
| Reimbursement for service by City Engineer | 72,500 | 72,500 | 72,500 | - |
| Reimbursement for drain cleaning by Streets | 111,007 | 111,007 | 111,007 | - |
| Training and travel | 1,500 | 169 | - | 169 |
| Education/outreach | 750 | 750 | 400 | 350 |
| Drainage control | 30,000 | 55,000 | 43,559 | 11,441 |
| Membership/Dues | 150 | 150 | - | 150 |
| Advertising | 500 | 500 | - | 500 |
| Telephone | 1,000 | 1,000 | - | 1,000 |
| Legal and professional | 10,000 | - | - | - |
| Audit | 1,545 | 1,635 | 1,635 | - |
| Engineering | 24,000 | 10,000 | 1,414 | 8,586 |
| Repair and maintenance equipment | 3,000 | 3,000 | 1,530 | 1,470 |
| Repair and maintenance vehicle | 700 | 610 | - | 610 |
| Maintenance agreement | 10,000 | 10,000 | 7,643 | 2,357 |
| Levee maintenance | 25,000 | 35,000 | 26,503 | 8,497 |
| Fuel billed by public works | 500 | 500 | 220 | 280 |
| Repairs by public works shop | 500 | 3,600 | 1,107 | 2,493 |
| Operational supplies | 4,000 | 6,000 | 5,821 | 179 |
| State permits and fees | 3,500 | 3,500 | 3,460 | 40 |
| Errors and omissions insurance | 608 | 773 | 772 | 1 |
| Auto liability insurance | 1,520 | 1,586 | 1,586 | - |
| Vehicle | 15,000 | - | - | - |
| Computer software | 5,000 | 5,000 | - | 5,000 |
| Total expenditures | <u>360,358</u> | <u>360,358</u> | <u>317,235</u> | <u>43,123</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(60,657)</u> | <u>\$ (60,657)</u> |
| Fund balance - beginning | | | <u>244,975</u> | |
| Fund balance - ending | | | <u>\$ 184,318</u> | |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SCHOOL FEDERAL PROJECTS FUND**

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|--------------|--------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Title I, Part A | \$ 1,180,271 | \$ 1,418,874 | \$ 1,295,175 | \$ (123,699) |
| IDEA Special Ed grants to states | 639,901 | 672,365 | 639,692 | (32,673) |
| IDEA Pre K | 6,817 | 8,736 | 7,177 | (1,559) |
| IDEA Discretionary | - | 13,128 | 12,391 | (737) |
| IDEA Discretionary Supplement | - | 8,121 | 6,826 | (1,295) |
| Title II Part A | 110,006 | 181,045 | 121,608 | (59,437) |
| Consolidated admin | 18,391 | 18,391 | 17,747 | (644) |
| Pre-school Development | - | 228,363 | 217,484 | (10,879) |
| Total revenues | 1,955,386 | 2,549,023 | 2,318,100 | (230,923) |
| EXPENDITURES | | | | |
| INSTRUCTION | | | | |
| Title I | | | | |
| Teachers | 309,331 | 324,658 | 309,578 | 15,080 |
| Education Assistants | 37,100 | 37,100 | 35,595 | 1,505 |
| Social Security | 21,479 | 22,429 | 20,472 | 1,957 |
| State Retirement | 28,181 | 28,898 | 25,327 | 3,571 |
| Life Insurance | 1,293 | 1,326 | 1,159 | 167 |
| Medical Insurance | 49,129 | 23,104 | 23,104 | - |
| Employer Medicare | 5,023 | 5,246 | 4,788 | 458 |
| Contracted Substitutes Certified | 9,515 | 13,312 | 12,588 | 724 |
| Contract Substitute Teachers | 12,232 | 13,146 | 11,449 | 1,697 |
| Other Contracted Services | 71,994 | 78,783 | 63,953 | 14,830 |
| Instructional Supplies and Materials | 46,140 | 74,122 | 59,075 | 15,047 |
| Other Materials and Supplies | 21,093 | 21,918 | 14,895 | 7,023 |
| Equipment | 92,243 | 274,429 | 272,334 | 2,095 |
| Total title I | 704,753 | 918,471 | 854,317 | 64,154 |
| Title II | | | | |
| Teachers | - | 28,000 | 27,929 | 71 |
| Social Security | - | 1,736 | 1,396 | 340 |
| State Retirement | - | 2,525 | 2,525 | - |
| Life Insurance | - | 115 | 111 | 4 |
| Medical Insurance | - | 9,644 | 6,789 | 2,855 |
| Employer Medicare | - | 406 | 326 | 80 |
| Contracted Substitutes Certified | - | 1,170 | 585 | 585 |
| Total title II | - | 43,596 | 39,661 | 3,935 |
| IDEA Special Education | | | | |
| Teachers | 225,813 | 228,025 | 228,025 | - |
| Education Assistants | 191,448 | 198,304 | 194,967 | 3,337 |
| Speech Pathologists | 55,000 | - | - | - |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|-------------------------------------------|------------------|----------------|----------------|-----------------------------------------------------------|
| | Original | Final | Actual | |
| IDEA Special Education (continued) | | | | |
| Other Salaries | \$ - | \$ 7,329 | \$ 956 | \$ 6,373 |
| Social Security | 29,131 | 26,760 | 24,004 | 2,756 |
| State Retirement | 39,388 | 37,177 | 35,423 | 1,754 |
| Life Insurance | 1,600 | 1,760 | 1,676 | 84 |
| Medical Insurance | 47,217 | 47,155 | 47,155 | - |
| Medicare | 6,813 | 6,259 | 5,614 | 645 |
| Maintenance & Repair Equipment | 1,000 | 500 | 468 | 32 |
| Contracted Substitutes Certified | - | 5,000 | 3,919 | 1,081 |
| Contracted Substitutes Non-Certified | - | 1,500 | 1,500 | - |
| Other Contracted Services | - | 78,008 | 76,292 | 1,716 |
| Instructional Supplies and Materials | 8,000 | 11,726 | 9,184 | 2,542 |
| Other Charges | 3,000 | 5,737 | 4,968 | 769 |
| Special Ed Equipment | 5,000 | 7,534 | 3,374 | 4,160 |
| Total IDEA special education | <u>613,410</u> | <u>662,774</u> | <u>637,525</u> | <u>25,249</u> |
| IDEA Discretionary | | | | |
| Other Salaries and Wages | - | 11,250 | 10,675 | 575 |
| Social Security | - | 698 | 610 | 88 |
| State Retirement | - | 1,017 | 964 | 53 |
| Employer Medicare | - | 163 | 142 | 21 |
| Total IDEA special education | <u>-</u> | <u>13,128</u> | <u>12,391</u> | <u>737</u> |
| IDEA Discretionary Supplement | | | | |
| Other Supplies and Materials | - | 2,121 | 1,985 | 136 |
| In-Service and Staff Development | - | 6,000 | 4,841 | 1,159 |
| Total IDEA Discretionary Supplement | <u>-</u> | <u>8,121</u> | <u>6,826</u> | <u>1,295</u> |
| Total instructional | 1,318,163 | 1,646,090 | 1,550,720 | 95,370 |
| SUPPORT SERVICES | | | | |
| Title I | | | | |
| Parenting Material | 14,570 | 21,508 | 18,229 | 3,279 |
| Other Salaries | 339,171 | 357,258 | 322,878 | 34,380 |
| Social Security | 21,029 | 22,150 | 19,723 | 2,427 |
| State Retirement | 25,044 | 27,018 | 27,018 | - |
| Life Insurance | 1,261 | 1,332 | 992 | 340 |
| Medical Insurance | 27,348 | 4,461 | 4,461 | - |
| Employer Medicare | 4,918 | 5,180 | 4,613 | 567 |
| Library Books | 4,000 | 6,335 | 6,039 | 296 |
| In-Service and Staff Development | 17,390 | 30,847 | 16,282 | 14,565 |
| Other Equipment | - | 2,018 | 1,672 | 346 |
| Total title I | <u>454,731</u> | <u>478,107</u> | <u>421,907</u> | <u>56,200</u> |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|------------------|-----------|-----------|-----------------------------------------------------------|
| | Original | Final | Actual | |
| Title II | | | | |
| Other Salaries & Wages | \$ 60,000 | \$ 80,000 | \$ 55,300 | \$ 24,700 |
| Social Security | 3,720 | 4,960 | 3,349 | 1,611 |
| State Retirement | 5,424 | 6,512 | 4,995 | 1,517 |
| Employer Medicare | 870 | 1,160 | 784 | 376 |
| Contract Substitutes Certified | 7,020 | 4,446 | 4,446 | - |
| In-Service Staff Development | 30,816 | 36,822 | 10,943 | 25,879 |
| Total title II | 107,850 | 133,900 | 79,817 | 54,083 |
| Consolidated Admin | | | | |
| Secretaries | 14,935 | 14,935 | 14,448 | 487 |
| Social Security | 926 | 926 | 896 | 30 |
| Medicare | 217 | 217 | 210 | 7 |
| Other Supplies & Material | 1,007 | 1,007 | 949 | 58 |
| Other Equipment | 1,000 | 1,000 | 969 | 31 |
| Total consolidated admin | 18,085 | 18,085 | 17,472 | 613 |
| IDEA Special Education | | | | |
| In-Service Training | - | 2,000 | 100 | 1,900 |
| In-Service Staff Development | 3,091 | 3,091 | 659 | 2,432 |
| Other Contracted Services | 23,400 | 4,500 | 1,408 | 3,092 |
| Total IDEA Special Education | 26,491 | 9,591 | 2,167 | 7,424 |
| Total support services | 607,157 | 639,683 | 521,363 | 118,320 |
| NON-INSTRUCTIONAL | | | | |
| IDEA Pre-K | | | | |
| Instructional Supplies and Material | 2,317 | 3,480 | 3,005 | 475 |
| In-Service Staff Development | 2,000 | 2,079 | 1,435 | 644 |
| Special Ed Equipment | 2,500 | 3,177 | 2,737 | 440 |
| Total IDEA Pre-K | 6,817 | 8,736 | 7,177 | 1,559 |
| Pre-School Development | | | | |
| Supervisor/Director | - | 25,000 | 25,000 | - |
| Teachers | - | 50,813 | 50,203 | 610 |
| Clerical Personnel | - | 1,917 | 1,917 | - |
| Educational Assistants | - | 20,194 | 19,886 | 308 |
| Other Salaries and Wages | - | 400 | 400 | - |
| Social Security | - | 6,096 | 5,377 | 719 |
| State Retirement | - | 8,660 | 8,453 | 207 |
| Life Insurance | - | 388 | 375 | 13 |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|------------------|-----------|-----------|-----------------------------------------------------------|
| | Original | Final | | |
| Pre-School Development (continued) | | | | |
| Medical Insurance | \$ - | \$ 15,518 | \$ 16,773 | \$ (1,255) |
| Employer Medicare | - | 1,426 | 1,258 | 168 |
| Contracted Substitutes Certificated | - | 5,109 | 3,744 | 1,365 |
| Contracted Substitutes Non-Certified | - | 1,000 | 843 | 157 |
| Other Contracted Services | - | 25,440 | 25,440 | - |
| Instructional Supplies and Materials | - | 48,149 | 45,355 | 2,794 |
| Textbooks | - | 4,000 | - | 4,000 |
| Other Supplies and Materials | - | 1,295 | 1,173 | 122 |
| In-Service/Staff Development | - | 8,391 | 7,100 | 1,291 |
| Other Charges | - | 798 | 795 | 3 |
| Total Pre-School Development | - | 224,594 | 214,092 | 10,502 |
| Total non-instructional | 6,817 | 233,330 | 221,269 | 12,061 |
| Total expenditures | 1,932,137 | 2,519,103 | 2,293,352 | 225,751 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 23,249 | 29,920 | 24,748 | (5,172) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Indirect Cost Consolidated Admin | (306) | (306) | (275) | 31 |
| Indirect Cost Title I | (20,787) | (22,296) | (18,952) | 3,344 |
| Indirect Cost Title II | (2,156) | (3,549) | (2,129) | 1,420 |
| Indirect Cost | - | (3,769) | (3,392) | 377 |
| Other financing sources (uses) | (23,249) | (29,920) | (24,748) | 5,172 |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| Fund balance - beginning | | | - | |
| Fund balance - ending | | | \$ - | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | | | | |
| Lunch Payments-Adults | \$ 23,500 | \$ 23,500 | \$ 23,873 | \$ 373 |
| Ala Carte | 61,000 | 61,000 | 59,074 | (1,926) |
| Total charges for services | <u>84,500</u> | <u>84,500</u> | <u>82,947</u> | <u>(1,553)</u> |
| State | | | | |
| State Matching Funds - National Lunch | - | 28,234 | 28,234 | - |
| Total State | <u>-</u> | <u>28,234</u> | <u>28,234</u> | <u>-</u> |
| USDA | | | | |
| Federal Government Revenue | 1,286,416 | 1,286,416 | 1,333,792 | 47,376 |
| USDA Commodities | - | 103,742 | 106,739 | 2,997 |
| Total USDA | <u>1,286,416</u> | <u>1,390,158</u> | <u>1,440,531</u> | <u>50,373</u> |
| Other Sources | 25 | 25 | 106 | 81 |
| Total revenues | <u>1,370,941</u> | <u>1,502,917</u> | <u>1,551,818</u> | <u>48,901</u> |
| EXPENDITURES | | | | |
| Cafeteria Manager | 137,979 | 137,979 | 138,847 | (868) |
| Part Time | 344,441 | 344,441 | 324,999 | 19,442 |
| Social Security | 28,130 | 28,130 | 26,014 | 2,116 |
| TCRS | 24,708 | 24,707 | 23,071 | 1,636 |
| Life Insurance | 1,421 | 1,421 | 1,169 | 252 |
| Medical Insurance | 54,421 | 61,500 | 64,177 | (2,677) |
| Employer Medicare | 6,841 | 6,841 | 6,084 | 757 |
| Other Contracted Services | 30,000 | 35,000 | 32,350 | 2,650 |
| Food Supplies | 713,000 | 678,156 | 637,722 | 40,434 |
| Other Supplies & Material | 26,000 | 70,000 | 63,752 | 6,248 |
| Food Service Equipment | 4,000 | 11,000 | 9,490 | 1,510 |
| USDA Commodities | - | 103,742 | 103,742 | - |
| Total expenditures | <u>1,370,941</u> | <u>1,502,917</u> | <u>1,431,417</u> | <u>71,500</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 120,401 | <u>\$ 120,401</u> |
| Fund balance - beginning | | | <u>99,172</u> | |
| Fund balance - ending | | | <u>\$ 219,573</u> | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|------------------|-------------|--------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Other statutory local taxes | \$ - | \$ - | \$ 614,054 | \$ 614,054 |
| Donations | - | - | 5,000 | 5,000 |
| Insurance recovery | - | 28,394 | 28,394 | - |
| Total revenues | - | 28,394 | 647,448 | 619,054 |
| EXPENDITURES | | | | |
| Architects | 125,000 | 258,591 | 130,418 | 128,173 |
| Consultants | - | 30,700 | 17,300 | 13,400 |
| Building improvements | 1,375,000 | 2,286,663 | 2,095,564 | 191,099 |
| Motor Vehicles No Location | - | 32,500 | 22,118 | 10,382 |
| Other Capital Outlay No Location | - | 510,000 | - | 510,000 |
| Flood repairs | - | 35,815 | 35,815 | - |
| Total expenditures | 1,500,000 | 3,154,269 | 2,301,215 | 853,054 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (1,500,000) | (3,125,875) | (1,653,767) | 1,472,108 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in from City | 750,000 | 1,000,000 | 1,000,000 | - |
| Transfer From Other Fund | 750,000 | 1,995,920 | 1,995,920 | - |
| Planned Use of Fund Balance | - | 129,955 | - | (129,955) |
| Other financing sources | 1,500,000 | 3,125,875 | 2,995,920 | (129,955) |
| Net change in fund balance | \$ - | \$ - | 1,342,153 | \$ 1,342,153 |
| Fund balance - beginning | | | 129,955 | |
| Fund balance - ending | | | \$ 1,472,108 | |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| CAPITAL IMPROVEMENTS FUND | | | | |
| REVENUES | | | | |
| Federal Grants | | | | |
| Veterans Parkway South | \$ - | \$ 566,341 | \$ 546,846 | \$ (19,495) |
| CDBG - pumps | - | 1,000,000 | 1,000,000 | - |
| CDBG - Newport Channel | - | 1,364,537 | 528,973 | (835,564) |
| TDOT - paving Raleigh Millington Road | - | 568,000 | 473,678 | (94,322) |
| TDOT - Navy/Church | - | 459,338 | 12,000 | (447,338) |
| CTI grant match | - | 20,670 | 12,540 | (8,130) |
| ECD grant CTI utility extension | - | 184,536 | 104,936 | (79,600) |
| TDOT grant - Navy & Easley | 240,000 | - | - | - |
| TDOT RR Safety Grant - Church/CN | 80,000 | 105,392 | 75,328 | (30,064) |
| TDOT Grant-Ral Mill/BigCrkBrdg | 640,000 | 800,000 | 68,617 | (731,383) |
| Grant - Police Station Energy | - | 240,000 | 240,000 | - |
| TDOT - Navy StScape II Grant | - | 16,000 | - | (16,000) |
| Interest on investments | - | - | 135 | 135 |
| Other revenue | - | - | 40,899 | 40,899 |
| Planned use of fund balance | - | 650 | - | (650) |
| Total revenues | 960,000 | 5,325,464 | 3,103,952 | (2,221,512) |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Bond issuance costs | 30,000 | 36,000 | 36,000 | - |
| Capital Improvements | | | | |
| Veterans Parkway - South | - | 275,000 | 240,323 | 34,677 |
| Street paving | 2,250,000 | 2,320,340 | 1,087,320 | 1,233,020 |
| Navy/Church Street intersection | - | 528,000 | 8,915 | 519,085 |
| Flood pumps | - | 1,500,000 | 713,105 | 786,895 |
| Library | - | 650 | 650 | - |
| Raleigh Millington paving | - | 682,040 | 597,582 | 84,458 |
| Utility extension | - | 230,670 | 139,335 | 91,335 |
| West Union drainage improvement | - | 949,972 | 928,571 | 21,401 |
| TN CDBG grant administration | - | 32,500 | 16,250 | 16,250 |
| Police Cars | 250,000 | 248,700 | 219,559 | 29,141 |
| Playground SurfacingCompliance | 30,000 | 30,000 | 30,000 | - |
| Renovation-WalkingTrack-Aycock | 16,000 | 19,300 | 19,274 | 26 |
| Bunker Rake - USA Fields | 10,000 | 14,532 | 14,531 | 1 |
| ADA Improvemnt-Restrooms-Baker | 10,000 | 14,591 | 14,591 | - |
| ADA Improvements-Joyner Fields | 35,000 | - | - | - |
| Fire Station Improvements | 148,000 | 68,000 | 67,970 | 30 |
| Roof & Roof Repairs-Baker Ctr | 100,000 | 244,397 | 53,096 | 191,301 |

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|------------------|-------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| CAPITAL IMPROVEMENTS FUND (continued) | | | | |
| Roof - Harvell Civic Center | \$ 60,000 | \$ - | \$ - | \$ - |
| Roof Repairs - City Hall | 10,000 | - | - | - |
| Roof Repairs - Library | 10,000 | 10,000 | - | 10,000 |
| Demolish Bldg - Install Fencing | 40,000 | 40,000 | - | 40,000 |
| Dump Trk w/Slt Sprd & SnowPlow | 86,000 | 119,771 | - | 119,771 |
| Energy Consultant Projects | 1,200,000 | - | - | - |
| Easley/Navy Improvements | 300,000 | - | - | - |
| Church/CN Crossing | 100,000 | 105,392 | 96,848 | 8,544 |
| Ral Mill/Big Creek Bridge | 800,000 | 1,800,000 | 109,191 | 1,690,809 |
| Wilkinsville/CitySchlsDrainage | 600,000 | 800,000 | 347,033 | 452,967 |
| Professional Planning-USACmplx | 50,000 | - | - | - |
| ADA Imprvemnt-Rstroom-CityHall | 25,000 | 22,400 | 22,400 | - |
| HVAC Improvements 10-2015 | - | 88,736 | 75,029 | 13,707 |
| Police Station HVAC & Lighting | - | 480,000 | 480,000 | - |
| Roof - Fire Training Center | - | 44,473 | - | 44,473 |
| Navy Rd Streetscape II | - | 20,000 | 18,074 | 1,926 |
| Contingency | - | 1,040,000 | - | 1,040,000 |
| Total expenditures | <u>6,160,000</u> | <u>11,765,464</u> | <u>5,335,647</u> | <u>6,429,817</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (5,200,000) | (6,440,000) | (2,231,695) | 4,208,305 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt issuance | 5,000,000 | 6,000,000 | 2,125,364 | (3,874,636) |
| Transfers in | 200,000 | 1,440,000 | 1,440,000 | - |
| Transfers out | - | (1,000,000) | (1,000,000) | - |
| Total other financing sources | <u>5,200,000</u> | <u>6,440,000</u> | <u>2,565,364</u> | <u>(3,874,636)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 333,669 | <u>\$ 333,669</u> |
| Fund balance - beginning | | | <u>106,145</u> | |
| Fund balance - ending | | | <u>\$ 439,814</u> | |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND**

For the Year Ended June 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|-------------------------|----------------|---------------------------|-----------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Interest on investments | \$ 5 | \$ 5 | \$ - | \$ (5) |
| EXPENDITURES | | | | |
| Principal retirement | | | | |
| First TN 2010 CON | 98,000 | 98,000 | 98,000 | - |
| First TN 2011 loan | 190,000 | 190,000 | 190,000 | - |
| 2013 TML loan principal payments | 46,000 | 46,000 | 46,000 | - |
| Interest expense | 207,206 | 290,806 | 214,679 | 76,127 |
| Total expenditures | <u>541,206</u> | <u>624,806</u> | <u>548,679</u> | <u>76,127</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (541,201) | (624,801) | (548,679) | 76,122 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>541,201</u> | <u>624,801</u> | <u>548,224</u> | <u>(76,577)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | (455) | <u>\$ (455)</u> |
| Fund balance - beginning | | | <u>455</u> | |
| Fund balance - ending | | | <u>\$ -</u> | |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND
– STUDENT ACTIVITY FUNDS**

For the Year Ended June 30, 2016

| | <u>Balance June 30, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2016</u> |
|-----------------------------|----------------------------------|-------------------|---------------------|----------------------------------|
| ASSETS | | | | |
| Cash | \$ 272,113 | \$ 512,111 | \$ (519,327) | \$ 264,897 |
| Inventory | 4,776 | - | (858) | 3,918 |
| | <u>\$ 276,889</u> | <u>\$ 512,111</u> | <u>\$ (520,185)</u> | <u>\$ 268,815</u> |
| LIABILITIES | | | | |
| Due to student general fund | \$ 134,738 | \$ 135,343 | \$ (122,380) | \$ 147,701 |
| Due to student groups | 142,151 | 376,768 | (397,805) | 121,114 |
| | <u>\$ 276,889</u> | <u>\$ 512,111</u> | <u>\$ (520,185)</u> | <u>\$ 268,815</u> |

OTHER BUDGETARY SCHEDULES

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES –
BUDGET AND ACTUAL – GENERAL FUND**

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| TAXES | | | | |
| Property taxes | \$ 2,997,763 | \$ 2,997,763 | \$ 2,941,715 | \$ (56,048) |
| Beer tax | 380,000 | 380,000 | 470,873 | 90,873 |
| Business tax | 800 | 800 | 1,160 | 360 |
| Local sales tax | 3,300,000 | 3,300,000 | 3,372,220 | 72,220 |
| Hotel/Motel tax | 145,000 | 145,000 | 184,618 | 39,618 |
| Interest and penalties | 30,000 | 30,000 | 25,434 | (4,566) |
| CATV franchise tax | 30,000 | 30,000 | 34,218 | 4,218 |
| Total taxes | <u>6,883,563</u> | <u>6,883,563</u> | <u>7,030,238</u> | <u>146,675</u> |
| LICENSES AND PERMITS | | | | |
| Automobile stickers | 188,000 | 188,000 | 189,817 | 1,817 |
| Building and related permits | 24,000 | 24,000 | 10,575 | (13,425) |
| Planning and subdivision fees | 1,700 | 1,700 | 4,300 | 2,600 |
| Beer application and solicitors | 1,000 | 1,000 | 1,725 | 725 |
| Liquor inspection fee | 93,500 | 93,500 | 79,400 | (14,100) |
| Total licenses and permits | <u>308,200</u> | <u>308,200</u> | <u>285,817</u> | <u>(22,383)</u> |
| INTERGOVERNMENTAL | | | | |
| State of Tennessee shared taxes | | | | |
| City sales tax | 1,415,000 | 1,415,000 | 1,513,903 | 98,903 |
| Business tax | 285,000 | 285,000 | 366,587 | 81,587 |
| Sales tax | 835,000 | 835,000 | 900,397 | 65,397 |
| Beer tax | 5,500 | 5,500 | 5,436 | (64) |
| Income tax | 10,000 | 10,000 | 95,276 | 85,276 |
| Excise tax | 12,000 | 12,000 | 17,661 | 5,661 |
| Mixed drink tax | 28,000 | 28,000 | 28,128 | 128 |
| Telecommunications sales tax | 1,000 | 1,000 | 946 | (54) |
| TVA In-Lieu of Tax | 127,461 | 127,461 | 130,634 | 3,173 |
| Receipts in lieu of tax - MHA | 20,000 | 20,000 | 22,187 | 2,187 |
| Receipts in lieu of tax - MLGW | 143,000 | 143,000 | 134,389 | (8,611) |
| Beer privilege tax | 3,800 | 3,800 | 3,422 | (378) |
| Fire and ambulance fees | 958,673 | 603,510 | 602,752 | (758) |
| U.S. Department of Justice DEA overtime | 5,000 | 5,000 | 5,042 | 42 |
| Total intergovernmental | <u>3,849,434</u> | <u>3,494,271</u> | <u>3,826,760</u> | <u>332,489</u> |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------------------------------|
| | Original | Final | | |
| CHARGES FOR SERVICES | | | | |
| Recreation | \$ 424,500 | \$ 424,500 | \$ 439,419 | \$ 14,919 |
| FINES, FORFEITURES, AND PENALTIES | 628,200 | 628,200 | 626,327 | (1,873) |
| FEDERAL, STATE, AND LOCAL GRANTS | - | 46,656 | 86,831 | 40,175 |
| INTEREST ON INVESTMENTS | 2,000 | 2,000 | 4,719 | 2,719 |
| OTHER REVENUE | 62,065 | 62,065 | 80,913 | 18,848 |
| PLANNED USE OF PRIOR YEAR FUNDS | 57,730 | 1,057,730 | - | (1,057,730) |
| TOTAL GENERAL FUND REVENUES | <u>\$ 12,215,692</u> | <u>\$ 12,907,185</u> | <u>\$ 12,381,024</u> | <u>\$ (526,161)</u> |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND**

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| GENERAL GOVERNMENT | | | | |
| Finance and Administration | | | | |
| Salaries | \$ 449,174 | \$ 465,115 | \$ 449,625 | \$ 15,490 |
| Overtime | 500 | 500 | 321 | 179 |
| Part time | 13,000 | 10,487 | 10,224 | 263 |
| Vacation pay at retirement | - | 8 | 7 | 1 |
| Reimbursement for billing by City Hall | (152,312) | (152,312) | (152,312) | - |
| Health insurance | 23,188 | 27,588 | 27,546 | 42 |
| Life insurance | 2,088 | 2,088 | 1,549 | 539 |
| FICA | 28,376 | 28,376 | 27,540 | 836 |
| Medicare | 6,636 | 6,636 | 6,441 | 195 |
| Retirement | 36,603 | 36,603 | 36,316 | 287 |
| Unemployment compensation | 1,649 | 11,449 | 11,377 | 72 |
| Travel expense (Mayor) | 1,000 | - | - | - |
| Travel and training | 30,000 | 16,469 | 14,757 | 1,712 |
| City Beautiful | 2,500 | 2,500 | 2,334 | 166 |
| Chamber of Commerce | 18,000 | 18,000 | 18,000 | - |
| Publications and flags | 2,000 | 1,700 | 1,245 | 455 |
| Memberships and dues | 6,500 | 5,170 | 4,317 | 853 |
| Public relations | 3,800 | 5,130 | 5,130 | - |
| Advertising | 3,000 | 3,000 | 1,960 | 1,040 |
| Tax collection expense | 130,000 | 133,000 | 121,106 | 11,894 |
| Utilities | 28,000 | 23,000 | 22,961 | 39 |
| Telephone | 16,000 | 16,000 | 14,584 | 1,416 |
| Legal and professional | 150,000 | 157,000 | 151,858 | 5,142 |
| Audit | 29,000 | 32,031 | 31,030 | 1,001 |
| City reappraisal | - | 4,965 | 4,962 | 3 |
| Repairs and maintenance - equipment | 1,500 | - | - | - |
| Repairs and maintenance - vehicle | 1,000 | - | - | - |
| Building maintenance | 10,000 | 19,000 | 18,343 | 657 |
| Maintenance agreement | 10,000 | 10,300 | 10,298 | 2 |
| Fuel billed by public works | 2,600 | 2,600 | 980 | 1,620 |
| Repairs by public works shop | 200 | 200 | 140 | 60 |
| Operational supplies | 17,500 | 17,500 | 16,561 | 939 |
| Expendable furnishings and equipment | 5,000 | 5,000 | 4,930 | 70 |
| Truck Purchase | - | 25,612 | - | 25,612 |
| Total finance and administration | 876,502 | 934,715 | 864,130 | 70,585 |
| General Government | | | | |
| Workers compensation insurance | 165,000 | 165,000 | 151,309 | 13,691 |
| Medical testing | 20,000 | 20,000 | 10,279 | 9,721 |
| Retiree insurance | 138,000 | 138,000 | 120,948 | 17,052 |
| Legal and professional | 35,000 | 11,595 | 11,595 | - |
| Audit | 2,500 | 2,500 | 2,500 | - |
| Building insurance | 31,000 | 31,038 | 31,038 | - |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| General Government (continued) | | | | |
| Liability insurance | \$ 87,000 | \$ 83,155 | \$ 77,368 | \$ 5,787 |
| Errors and omissions insurance | 25,000 | 25,000 | 23,466 | 1,534 |
| Auto liability insurance | 50,000 | 50,000 | 49,573 | 427 |
| Contingency | 649,286 | 443,638 | - | 443,638 |
| Total general government | <u>1,202,786</u> | <u>969,926</u> | <u>478,076</u> | <u>491,850</u> |
| Courts | | | | |
| Salaries | 128,416 | 131,416 | 131,334 | 82 |
| Overtime | - | 6,369 | 6,368 | 1 |
| Part time staff | 4,000 | 4,060 | 4,056 | 4 |
| Part time staff - prosecutor | 40,000 | 40,000 | 37,238 | 2,762 |
| Part time staff - temporary judge | 3,500 | 3,477 | 2,100 | 1,377 |
| Health insurance | 18,598 | 13,808 | 12,512 | 1,296 |
| Life insurance | 479 | 479 | 404 | 75 |
| FICA | 8,210 | 8,210 | 7,291 | 919 |
| Medicare | 1,920 | 1,920 | 1,705 | 215 |
| Retirement | 10,453 | 11,253 | 11,207 | 46 |
| Unemployment compensation | - | (1,062) | (1,062) | - |
| Training and travel | 3,000 | 3,000 | 2,595 | 405 |
| Publications | 200 | 200 | 30 | 170 |
| Memberships | 100 | 100 | 100 | - |
| Utilities | 3,500 | 5,210 | 5,201 | 9 |
| Telephone expense | 6,650 | 6,670 | 6,660 | 10 |
| Contract labor | 2,500 | 2,250 | 2,150 | 100 |
| Repairs and maintenance - equipment | 2,500 | - | - | - |
| Building maintenance | 3,500 | 1,900 | 1,835 | 65 |
| Maintenance agreement | 13,000 | 12,437 | 12,343 | 94 |
| Operational supplies | 5,000 | 5,029 | 5,029 | - |
| Expendable furnishings and equipment | 2,000 | 2,400 | 2,254 | 146 |
| Total courts | <u>257,526</u> | <u>259,126</u> | <u>251,350</u> | <u>7,776</u> |
| Codes & Economic Development | | | | |
| Salaries | 192,456 | 178,320 | 144,582 | 33,738 |
| Overtime | 500 | 500 | 130 | 370 |
| Part time staff | 16,900 | 10,900 | 10,641 | 259 |
| Vacation pay at retirement | - | 8,247 | 8,246 | 1 |
| Reimbursement by City Engineer | (72,500) | (72,500) | (72,500) | - |
| Health insurance | 18,836 | 22,623 | 22,621 | 2 |
| Life insurance | 995 | 995 | 692 | 303 |
| FICA | 13,011 | 13,011 | 9,249 | 3,762 |
| Medicare | 3,043 | 3,043 | 2,163 | 880 |
| Retirement | 15,707 | 11,919 | 11,808 | 111 |
| Unemployment compensation | - | 5,890 | 5,889 | 1 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Codes & Economic Development (continued) | | | | |
| Training and travel | \$ 4,500 | \$ 2,500 | \$ 141 | \$ 2,359 |
| Postage/printing | 100 | 100 | - | 100 |
| Publications | 2,500 | 2,500 | - | 2,500 |
| Memberships and dues | 650 | 650 | - | 650 |
| Advertising | 2,000 | 2,000 | 167 | 1,833 |
| Phone expense | 8,000 | 8,000 | 6,536 | 1,464 |
| Engineering | 5,000 | 19,000 | 18,121 | 879 |
| Subdivision review | 1,500 | 4,000 | 3,975 | 25 |
| Contract labor | 15,000 | 18,000 | 17,758 | 242 |
| Subdivision inspection | 2,000 | 2,000 | - | 2,000 |
| Repairs and maintenance - equipment | 1,000 | 1,000 | 235 | 765 |
| Repairs and maintenance - vehicle | 1,500 | 1,500 | - | 1,500 |
| Building maintenance | 5,000 | 5,926 | 5,069 | 857 |
| Maintenance agreement | 12,000 | 12,000 | 10,356 | 1,644 |
| Fuel billed by public works | 4,500 | 4,500 | 3,130 | 1,370 |
| Repairs by public works shop | 2,500 | 2,500 | 1,249 | 1,251 |
| Mapping and recording fees | 200 | 200 | 158 | 42 |
| Operational supplies | 3,500 | 3,500 | 1,763 | 1,737 |
| Uniforms | 2,000 | 2,000 | 663 | 1,337 |
| Expendable furnishings and equipment | 4,500 | 3,000 | 2,223 | 777 |
| Demolitions | 20,000 | 10,000 | - | 10,000 |
| Total codes & economic development | <u>286,898</u> | <u>287,824</u> | <u>215,065</u> | <u>72,759</u> |
| Personnel | | | | |
| Salaries | 77,250 | 34,900 | 20,966 | 13,934 |
| Part time | - | 10,001 | 9,302 | 699 |
| Vacation pay at retirement | - | 904 | 904 | - |
| Health insurance | 9,180 | 4,551 | 3,099 | 1,452 |
| Life insurance | 399 | 399 | 138 | 261 |
| FICA | 4,790 | 4,790 | 1,836 | 2,954 |
| Medicare | 1,120 | 1,120 | 429 | 691 |
| Retirement | 6,288 | 6,288 | 1,698 | 4,590 |
| Training and travel | 1,500 | 1,500 | - | 1,500 |
| Memberships | 500 | 500 | - | 500 |
| Public relations | 6,000 | 6,000 | - | 6,000 |
| Telephone | 3,200 | 3,200 | 2,904 | 296 |
| Maintenance agreement | 7,000 | 7,000 | 4,621 | 2,379 |
| Operational supplies | 1,000 | 1,000 | 691 | 309 |
| Expendable furnishings and equipment | 1,000 | 1,000 | 185 | 815 |
| Total personnel | <u>119,227</u> | <u>83,153</u> | <u>46,773</u> | <u>36,380</u> |
| Total general government | 2,742,939 | 2,534,744 | 1,855,394 | 679,350 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| PUBLIC SAFETY | | | | |
| Police Department | | | | |
| Salaries | \$ 1,779,707 | \$ 1,726,852 | \$ 1,726,543 | \$ 309 |
| Overtime | 70,000 | 95,000 | 93,083 | 1,917 |
| Part time | 14,040 | 15,040 | 14,190 | 850 |
| Part time - speed van | 17,601 | 17,601 | 13,794 | 3,807 |
| School crossing guards | 45,500 | 31,726 | 31,134 | 592 |
| Holiday pay | 59,000 | 59,000 | 58,398 | 602 |
| Vacation pay at retirement | - | 8,773 | 8,773 | - |
| Police supplement pay | - | 15,600 | 15,600 | - |
| Health insurance | 191,284 | 166,284 | 165,915 | 369 |
| Life insurance | 9,232 | 9,232 | 7,683 | 1,549 |
| FICA | 123,123 | 123,123 | 114,403 | 8,720 |
| Medicare | 28,795 | 28,795 | 26,756 | 2,039 |
| Retirement | 151,709 | 153,936 | 153,789 | 147 |
| Unemployment compensation | - | 11,234 | 11,234 | - |
| Training and travel | 22,000 | 22,000 | 20,351 | 1,649 |
| Membership | 750 | 750 | 666 | 84 |
| Advertising | 300 | 300 | 42 | 258 |
| Utilities | 16,000 | 16,100 | 16,091 | 9 |
| Telephone | 35,000 | 35,000 | 34,602 | 398 |
| Repairs and maintenance - equipment | 5,000 | 5,100 | 5,052 | 48 |
| Repairs and maintenance - vehicle | 10,000 | 6,000 | 3,362 | 2,638 |
| Building maintenance | 21,175 | 36,388 | 34,651 | 1,737 |
| Maintenance agreement | 83,765 | 56,006 | 55,810 | 196 |
| Fuel billed by public works | 104,000 | 87,750 | 58,012 | 29,738 |
| Repairs by public works shop | 20,000 | 25,500 | 25,387 | 113 |
| Operational supplies | 17,000 | 18,110 | 17,841 | 269 |
| Equipment purchases | 20,500 | 28,000 | 10,266 | 17,734 |
| Jail expense | 15,000 | 16,000 | 15,509 | 491 |
| Dog expense | 2,000 | 2,000 | 1,836 | 164 |
| Uniforms | 28,000 | 28,000 | 23,083 | 4,917 |
| Ammunition | 10,000 | - | - | - |
| Police supplies | 3,000 | 3,145 | 3,144 | 1 |
| Gas and oil | 250 | 250 | - | 250 |
| Expendable furnishings and equipment | - | 2,695 | 2,695 | - |
| Vehicle towing | 2,000 | 4,500 | 2,225 | 2,275 |
| TBI - sex offender fee | 150 | 1,150 | 600 | 550 |
| Claims paid direct | - | 12,190 | 12,190 | - |
| Building improvements | 27,960 | 29,247 | 29,247 | - |
| Total police department | <u>2,933,841</u> | <u>2,898,377</u> | <u>2,813,957</u> | <u>84,420</u> |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Fire Department | | | | |
| Salaries | 1,291,695 | 1,172,550 | 1,172,538 | 12 |
| Salaries - value added | 9,360 | 3,320 | 3,320 | - |
| Overtime | 151,242 | 169,620 | 169,561 | 59 |
| Part time | 50,000 | 36,300 | 36,223 | 77 |
| Holiday pay | 44,131 | 53,525 | 53,525 | - |
| Vacation pay at retirement | - | 15,930 | 15,930 | - |
| Fire supplement pay | - | 14,400 | 14,400 | - |
| Health insurance | 220,728 | 196,200 | 196,153 | 47 |
| Life insurance | 6,692 | 6,105 | 5,792 | 313 |
| FICA | 95,879 | 81,998 | 81,904 | 94 |
| Medicare | 22,423 | 19,157 | 19,155 | 2 |
| Retirement | 113,568 | 115,293 | 115,224 | 69 |
| Training and travel | 17,000 | 19,100 | 19,061 | 39 |
| Ambulance service | 323,923 | 322,923 | 322,923 | - |
| Dispatch service | 183,885 | 183,886 | 183,885 | 1 |
| Office supplies | 2,500 | 2,030 | 2,028 | 2 |
| Membership | 1,600 | 1,400 | 1,381 | 19 |
| Utilities | 50,500 | 36,498 | 36,402 | 96 |
| Telephone | 11,000 | 14,380 | 14,342 | 38 |
| Repairs and maintenance - equipment | 23,000 | 14,200 | 14,163 | 37 |
| Repairs and maintenance - vehicle | 30,000 | 42,000 | 41,920 | 80 |
| Building maintenance | 28,000 | 28,650 | 28,243 | 407 |
| Maintenance agreement | 11,000 | 9,200 | 9,153 | 47 |
| Fire prevention | 2,500 | 2,500 | 2,495 | 5 |
| Tires | 7,000 | 5,200 | 5,156 | 44 |
| Fuel billed by public works | 36,000 | 13,105 | 13,030 | 75 |
| Repairs by public works shop | 3,000 | 3,600 | 3,585 | 15 |
| Operational supplies | 10,600 | 5,600 | 5,476 | 124 |
| Safety equipment | 18,000 | 18,750 | 18,702 | 48 |
| Medical supplies | 5,000 | 4,550 | 4,541 | 9 |
| Fire hose | 5,000 | 2,050 | 2,027 | 23 |
| Uniforms | 13,500 | 13,500 | 13,368 | 132 |
| Gas and oil | 150 | - | - | - |
| Expendable furnishings and equipment | 18,000 | 23,400 | 23,243 | 157 |
| Total fire department | 2,806,876 | 2,650,920 | 2,648,849 | 2,071 |
| Total public safety | 5,740,717 | 5,549,297 | 5,462,806 | 86,491 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------------|------------------|---------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| COMMUNITY SERVICES | | | | |
| Library | | | | |
| Utilities | \$ 365 | \$ 365 | \$ 268 | \$ 97 |
| Contracts | 306,772 | 306,772 | 306,772 | - |
| Contract Labor | - | 4,824 | 4,824 | - |
| Building maintenance | 12,300 | 14,141 | 6,134 | 8,007 |
| Janitor supplies | 2,000 | 649 | 628 | 21 |
| Program materials, books, and supplies | 3,000 | 3,000 | 3,000 | - |
| Total library | 324,437 | 329,751 | 321,626 | 8,125 |
| Arts, Recreation, & Parks | | | | |
| Salaries | 245,605 | 249,529 | 236,747 | 12,782 |
| Field supervisors | 1,500 | 1,432 | 385 | 1,047 |
| Umpires/officials | 12,000 | 13,338 | 13,306 | 32 |
| Scorekeepers/press box/gate | 4,000 | 4,275 | 3,273 | 1,002 |
| Part time labor/staff | 123,000 | 130,663 | 117,779 | 12,884 |
| Vacation pay at retirement | - | 2,437 | 2,436 | 1 |
| Health insurance | 32,844 | 33,676 | 26,363 | 7,313 |
| Life insurance | 1,271 | 1,278 | 1,180 | 98 |
| FICA | 23,939 | 24,299 | 22,232 | 2,067 |
| Medicare | 5,599 | 5,690 | 5,200 | 490 |
| Retirement | 19,992 | 20,372 | 19,330 | 1,042 |
| Unemployment compensation | - | 76 | 27 | 49 |
| Travel and training | 5,100 | 5,005 | 3,591 | 1,414 |
| Trophies | 1,950 | 1,200 | 981 | 219 |
| Umpires | 30,000 | 32,500 | 32,345 | 155 |
| Printing publications | 100 | 100 | 52 | 48 |
| Publications | - | 30 | 30 | - |
| Memberships | 875 | 945 | 885 | 60 |
| Advertising | 7,650 | 3,723 | 2,628 | 1,095 |
| Utilities - electric | 147,700 | 116,850 | 113,704 | 3,146 |
| Utilities - water | 20,000 | 10,850 | 10,165 | 685 |
| Utilities - sewer | 19,000 | 10,500 | 9,877 | 623 |
| Telephone expense | 14,800 | 15,150 | 14,231 | 919 |
| Contract labor - goat days | 34,240 | 31,207 | 21,848 | 9,359 |
| Legal and professional | 6,000 | 6,000 | - | 6,000 |
| Repairs and maintenance - equipment | 5,000 | 4,410 | 3,741 | 669 |
| Building maintenance | 30,500 | 45,569 | 30,863 | 14,706 |
| Maintenance agreements | 7,500 | 7,500 | 2,392 | 5,108 |
| Fuel billed by public works | 5,300 | 5,300 | 3,302 | 1,998 |
| Repairs by public works shop | 3,000 | 4,000 | 2,201 | 1,799 |
| Operational supplies | 19,500 | 14,800 | 11,196 | 3,604 |
| Concessions | 16,000 | 16,000 | 14,940 | 1,060 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Arts, Recreation, & Parks (continued) | | | | |
| Rugby field expenses | \$ 250 | \$ 250 | \$ 250 | \$ - |
| Equipment rentals - goat days | 3,000 | 4,767 | 4,767 | - |
| Uniforms | 7,500 | 6,686 | 6,639 | 47 |
| Program materials and supplies | 18,650 | 18,505 | 14,792 | 3,713 |
| Expendable furnishings and equipment | 11,000 | 15,750 | 10,813 | 4,937 |
| Hospitality room - goat days | 300 | - | - | - |
| Grounds maintenance | 32,000 | 52,000 | 38,614 | 13,386 |
| Supplies - gift shop | 10,000 | 10,003 | 9,928 | 75 |
| Lease agreements | 4,000 | 4,000 | 4,000 | - |
| Building improvements | 29,770 | 29,770 | 29,770 | - |
| Total arts, recreation & parks | <u>960,435</u> | <u>960,435</u> | <u>846,803</u> | <u>113,632</u> |
| Total community services | <u>1,284,872</u> | <u>1,290,186</u> | <u>1,168,429</u> | <u>121,757</u> |
| PUBLIC WORKS | | | | |
| Salaries | 582,760 | 560,791 | 546,255 | 14,536 |
| Overtime | 5,000 | 5,000 | - | 5,000 |
| Part time staff | 28,000 | 45,721 | 43,907 | 1,814 |
| Vacation pay at retirement | - | 6,927 | 6,926 | 1 |
| Reimbursement for drain cleaning | (111,007) | (111,007) | (111,007) | - |
| Allocate PW Director | (51,138) | (51,138) | (51,138) | - |
| Health insurance | 84,286 | 91,466 | 83,772 | 7,694 |
| Life insurance | 3,019 | 3,019 | 2,511 | 508 |
| FICA | 37,868 | 38,907 | 33,885 | 5,022 |
| Medicare | 8,856 | 9,099 | 7,925 | 1,174 |
| Retirement | 48,496 | 48,043 | 44,479 | 3,564 |
| Unemployment compensation | - | 328 | 250 | 78 |
| Utilities | 17,000 | 14,250 | 14,216 | 34 |
| Telephone | 7,900 | 7,700 | 7,326 | 374 |
| Repairs and maintenance - equipment | 3,350 | 3,450 | 1,195 | 2,255 |
| Repairs and maintenance - vehicle | 5,500 | 7,500 | 4,004 | 3,496 |
| Building maintenance | 7,500 | 13,044 | 12,835 | 209 |
| Maintenance agreement | 4,500 | 5,100 | 5,066 | 34 |
| Fuel billed by public works | (303,200) | (246,231) | (131,839) | (114,392) |
| Gas purchases | 200,500 | 161,270 | 88,490 | 72,780 |
| Diesel purchases | 114,700 | 91,961 | 48,811 | 43,150 |
| Inventory purchases | 106,900 | 109,192 | 92,290 | 16,902 |
| Repairs by public works shop | (96,900) | (99,971) | (84,828) | (15,143) |
| Operational supplies | 13,000 | 11,500 | 8,757 | 2,743 |
| Equipment purchases | 1,500 | 450 | - | 450 |
| Animal control | 1,500 | 200 | 54 | 146 |
| Uniforms | 4,500 | 4,550 | 2,992 | 1,558 |
| Gas and oil | 6,000 | 4,200 | 3,591 | 609 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------------|----------------------|----------------------|---------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Public Works (continued) | | | | |
| Shop supplies | \$ 8,000 | \$ 7,500 | \$ 6,532 | \$ 968 |
| Expendable furnishings and equipment | 1,500 | 1,500 | 1,128 | 372 |
| Tools | 8,000 | 6,063 | 3,743 | 2,320 |
| Grounds maintenance | 3,000 | 2,700 | 2,620 | 80 |
| Total public works | <u>750,890</u> | <u>753,084</u> | <u>694,748</u> | <u>58,336</u> |
| TOTAL GENERAL FUND EXPENDITURES | <u>\$ 10,519,418</u> | <u>\$ 10,127,311</u> | <u>\$ 9,181,377</u> | <u>\$ 945,934</u> |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES –
BUDGET AND ACTUAL – GENERAL PURPOSE SCHOOL FUND**

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| LOCAL TAXES | | | | |
| County Property Tax | | | | |
| Current Property Tax | \$ 6,465,232 | \$ 6,465,232 | \$ 6,532,406 | \$ 67,174 |
| Trustee's Collection - Prior Years | 258,689 | 258,689 | 118,862 | (139,827) |
| Circuit Clerk Collection Prior Years | 82,213 | 82,213 | 91,998 | 9,785 |
| Payments in Lieu of Taxes | 138,734 | 138,734 | 131,269 | (7,465) |
| Local Option Sales Tax | 2,546,869 | 2,509,000 | 2,757,288 | 248,288 |
| Wheel Tax | - | 143,127 | 247,877 | 104,750 |
| Other Local Taxes | | | | |
| Mixed Drink Tax | 28,000 | 28,000 | 33,035 | 5,035 |
| Total local taxes | 9,519,737 | 9,624,995 | 9,912,735 | 287,740 |
| FEDERAL GOVERNMENT | | | | |
| E-Rate Funding | 225,500 | 601,522 | 509,480 | (92,042) |
| ROTC Reimbursement | 96,660 | 96,660 | 97,924 | 1,264 |
| Total federal government | 322,160 | 698,182 | 607,404 | (90,778) |
| STATE OF TENNESSEE | | | | |
| Regular Education Funds | | | | |
| Basic Education Program | 12,023,000 | 12,023,000 | 12,182,000 | 159,000 |
| Early Childhood Education | 291,599 | 267,844 | 267,059 | (785) |
| Other State Education Funds | - | - | 1,500 | 1,500 |
| Coordinated School Health | 80,000 | 80,000 | 77,180 | (2,820) |
| Career Ladder Program | 34,400 | 34,400 | 45,322 | 10,922 |
| Career Ladder-Extended Contracts | - | 612 | 612 | - |
| Other State Revenue | | | | |
| Special Education Grant to State | - | 13,053 | 13,053 | - |
| Safe School Grant | 13,720 | 13,680 | 13,680 | - |
| Other State Revenues | 29,612 | 165,940 | 172,171 | 6,231 |
| Total State of Tennessee | 12,472,331 | 12,598,529 | 12,772,577 | 174,048 |
| OTHER REVENUE | | | | |
| Recurring Items | | | | |
| Other Charges for Services | - | - | 2 | 2 |
| Investment Income | 2,000 | 2,000 | 3,976 | 1,976 |
| Lease/Rentals | 17,000 | 17,000 | 17,245 | 245 |
| Sale of Material & Supplies | - | - | 1,585 | 1,585 |
| Miscellaneous Refunds | - | - | 3,924 | 3,924 |
| Nonrecurring Items | | | | |
| Damages Recovered from Individuals | - | - | 3,782 | 3,782 |
| Contributions and Gifts | - | 32,200 | 34,325 | 2,125 |
| Other Local Revenue | 214,960 | 214,960 | 214,960 | - |
| Total Other Revenue | 233,960 | 266,160 | 279,799 | 13,639 |
| TOTAL REVENUE | 22,548,188 | 23,187,866 | 23,572,515 | 384,649 |

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF EXPENDITURES –
BUDGET AND ACTUAL – GENERAL PURPOSE SCHOOL FUND**

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------|-------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| EXPENDITURES | | | | |
| INSTRUCTION | | | | |
| Regular Instruction | | | | |
| Teachers | \$ 7,466,902 | \$ 7,125,236 | \$ 6,862,247 | \$ 262,989 |
| Career Ladder Program | 31,600 | 26,000 | 20,990 | 5,010 |
| Educational Assistant | 57,693 | 54,794 | 54,794 | - |
| Other Salaries and Wages | - | 126,860 | 119,813 | 7,047 |
| Social Security | 468,472 | 457,510 | 412,748 | 44,762 |
| State Retirement | 682,162 | 666,751 | 633,856 | 32,895 |
| Life Insurance | 30,144 | 29,569 | 28,116 | 1,453 |
| Medical Insurance | 649,774 | 576,934 | 574,171 | 2,763 |
| Employer Medicare Liability | 109,562 | 107,308 | 96,530 | 10,778 |
| Contracts for Substitute Teachers-Certified | 170,000 | 280,199 | 279,126 | 1,073 |
| Instructional Supplies & Material | 105,400 | 100,150 | 52,841 | 47,309 |
| Textbooks | 203,000 | 203,000 | 197,218 | 5,782 |
| Other Supplies & Material | 18,000 | 18,000 | 12,253 | 5,747 |
| Fee Waiver | 25,000 | 23,000 | 1,173 | 21,827 |
| Other Charges | 10,000 | 42,766 | 42,203 | 563 |
| Regular Instruction Equipment | 100,000 | 100,550 | 26,078 | 74,472 |
| Total Regular Instruction | 10,127,709 | 9,938,627 | 9,414,157 | 524,470 |
| Alternative School | | | | |
| Teacher | 62,414 | 62,414 | 64,561 | (2,147) |
| Homebound Teacher | 20,000 | 20,000 | 463 | 19,537 |
| Education Assistant | 23,303 | 18,003 | 17,841 | 162 |
| Social Security | 8,246 | 6,226 | 4,460 | 1,766 |
| State Retirement | 12,023 | 9,077 | 7,316 | 1,761 |
| Life Insurance | 351 | 330 | 280 | 50 |
| Medical Insurance | 16,118 | 11,315 | 13,604 | (2,289) |
| Employer Medicare | 1,928 | 1,456 | 1,043 | 413 |
| Other Contracted Services | 10,000 | 9,900 | 4,829 | 5,071 |
| Instructional Supplies & Material | 500 | 600 | 600 | - |
| Total Alternative School | 154,883 | 139,321 | 114,997 | 24,324 |
| Special Education Program | | | | |
| Teacher | 957,508 | 801,383 | 770,397 | 30,986 |
| Homebound Teacher | 10,000 | 8,900 | 183 | 8,717 |
| Ed Assistant Salary | 223,816 | 207,487 | 211,161 | (3,674) |
| Social Security | 73,242 | 64,900 | 55,653 | 9,247 |
| State Retirement | 104,777 | 92,761 | 86,792 | 5,969 |
| Life Insurance | 4,592 | 4,080 | 3,991 | 89 |
| Medical Insurance | 133,082 | 112,213 | 109,544 | 2,669 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Special Education Program (continued) | | | | |
| Employer Medicare | \$ 17,130 | \$ 15,177 | \$ 13,016 | \$ 2,161 |
| Contracts Substitute Teachers-Certified | 1,400 | 1,985 | 1,719 | 266 |
| Contracts Substitute Teachers-(NC) | 2,000 | 1,115 | 811 | 304 |
| Other Contracted Services | 60,000 | 183,000 | 175,575 | 7,425 |
| Instructional Supplies & Material | 2,400 | 6,200 | 6,183 | 17 |
| Total Special Education | <u>1,589,947</u> | <u>1,499,201</u> | <u>1,435,025</u> | <u>64,176</u> |
| Vocational Education | | | | |
| Teacher | 819,702 | 777,730 | 775,046 | 2,684 |
| Social Security | 50,821 | 48,219 | 47,283 | 936 |
| State Retirement | 74,084 | 70,289 | 70,047 | 242 |
| Life Insurance | 3,357 | 3,189 | 3,170 | 19 |
| Medical Insurance | 42,011 | 21,824 | 21,824 | - |
| Employer Medicare | 11,886 | 11,277 | 11,058 | 219 |
| Instructional Supplies & Material | 3,200 | 3,200 | 3,200 | - |
| Textbooks | 5,000 | 5,000 | 1,324 | 3,676 |
| Other Supplies & Material | 8,000 | 8,000 | 7,999 | 1 |
| Fee Waiver | 2,000 | 2,000 | - | 2,000 |
| Total Vocational Education | <u>1,020,061</u> | <u>950,728</u> | <u>940,951</u> | <u>9,777</u> |
| Total Instructional | 12,892,600 | 12,527,877 | 11,905,130 | 622,747 |
| SUPPORT SERVICES | | | | |
| Health Care Services | | | | |
| Other Salaries | 54,547 | 54,547 | 54,547 | - |
| Social Security | 3,382 | 3,382 | 3,358 | 24 |
| State Retirement | 4,440 | 4,400 | 4,440 | (40) |
| Life Insurance | 224 | 224 | 223 | 1 |
| Employer Medicare | 791 | 791 | 785 | 6 |
| Travel | - | 1,500 | 1,412 | 88 |
| Other Contracted Services | 132,300 | 138,976 | 138,976 | - |
| Other Supplies & Material | 5,000 | 5,000 | 4,915 | 85 |
| In-Service/Staff Development | 2,500 | 5,000 | 2,413 | 2,587 |
| Other Charges | 15,472 | 11,392 | 6,889 | 4,503 |
| Health Equipment | 7,962 | 5,156 | 5,087 | 69 |
| Total Health Care Services | <u>226,618</u> | <u>230,368</u> | <u>223,045</u> | <u>7,323</u> |
| Other Student Support | | | | |
| Guidance Personnel | 406,199 | 416,819 | 416,809 | 10 |
| Social Worker | 40,000 | 40,000 | 39,810 | 190 |
| Social Security | 27,664 | 28,323 | 26,432 | 1,891 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------------|------------------|-----------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Other Student Support (continued) | | | | |
| State Retirement | \$ 39,976 | \$ 40,935 | \$ 41,262 | \$ (327) |
| Life Insurance | 1,829 | 1,873 | 1,860 | 13 |
| Medical Insurance | 41,882 | 44,564 | 44,564 | - |
| Employer Medicare | 6,470 | 6,624 | 6,181 | 443 |
| Contracts with Govt Agencies Safe Schools | - | 13,680 | 13,680 | - |
| Travel | 1,000 | 1,000 | - | 1,000 |
| Other Supplies & Material | 3,140 | 3,140 | 101 | 3,039 |
| In-Service/Staff Development | 530 | 530 | - | 530 |
| Other Charges | 12,000 | 12,000 | - | 12,000 |
| Other Equipment | 10,315 | 10,315 | - | 10,315 |
| Total Other Student Support | 591,005 | 619,803 | 590,699 | 29,104 |
| Regular Instructional Support | | | | |
| Supervisor | 133,837 | 133,837 | 111,414 | 22,423 |
| Career Ladder Program | 2,900 | 5,400 | 5,372 | 28 |
| Career Ladder Extended Contracts | - | 612 | 525 | 87 |
| Librarian | 259,483 | 259,642 | 257,249 | 2,393 |
| Social Security | 24,566 | 24,768 | 22,153 | 2,615 |
| State Retirement | 30,417 | 30,488 | 28,091 | 2,397 |
| Life Insurance | 1,613 | 1,613 | 1,260 | 353 |
| Medical Insurance | 24,355 | 25,731 | 24,259 | 1,472 |
| Employer Medicare | 5,745 | 5,794 | 5,181 | 613 |
| Travel | 4,500 | 4,500 | 3,622 | 878 |
| Other Contracted Services | 210,000 | 210,000 | 133,130 | 76,870 |
| Library Books/Media | 18,000 | 18,000 | 17,973 | 27 |
| Periodicals | 10,000 | 10,000 | 2,663 | 7,337 |
| Other Supplies & Material | 26,000 | 26,000 | 25,503 | 497 |
| In-Service/Staff Development | 5,000 | 4,883 | 3,862 | 1,021 |
| Other Charges | 50,000 | 50,000 | 13,063 | 36,937 |
| Total Regular Instructional Support | 806,416 | 811,268 | 655,320 | 155,948 |
| Alternative Education Support | | | | |
| Supervisor | 44,500 | 44,500 | 44,500 | - |
| Social Security | 2,759 | 2,759 | 2,481 | 278 |
| State Retirement | 5,388 | 4,023 | 4,023 | - |
| Life Insurance | 182 | 182 | 181 | 1 |
| Medical Insurance | 4,184 | 5,658 | 5,657 | 1 |
| Employer Medicare | 645 | 645 | 580 | 65 |
| Travel | 1,500 | 1,500 | 1,439 | 61 |
| In-Service Staff Development | 1,000 | 1,117 | 1,117 | - |
| Total Alternative Education Support | 60,158 | 60,384 | 59,978 | 406 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|------------------|-----------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Special Education Support | | | | |
| Supervisor | \$ 44,500 | \$ 44,500 | \$ 44,500 | \$ - |
| Psychological | 70,124 | 70,125 | 70,124 | 1 |
| Secretary | 16,500 | 16,500 | 5,037 | 11,463 |
| Clerical Salary | 126,315 | 121,509 | 130,977 | (9,468) |
| Social Security | 15,961 | 15,663 | 14,460 | 1,203 |
| State Retirement | 20,302 | 19,881 | 19,521 | 360 |
| Life Insurance | 1,056 | 1,036 | 957 | 79 |
| Medical Insurance | 18,832 | 26,823 | 26,823 | - |
| Employer Medicare | 3,733 | 3,663 | 3,382 | 281 |
| Postal Charges | 300 | 300 | 31 | 269 |
| Travel | 3,500 | 3,500 | 3,149 | 351 |
| Other Contracted Services | 65,000 | 70,000 | 66,800 | 3,200 |
| Other Supplies & Material | 3,000 | 3,000 | 2,979 | 21 |
| In-Service/Staff Development | 5,000 | 5,000 | 3,943 | 1,057 |
| Other Equipment | 5,000 | 5,550 | 5,529 | 21 |
| Total Special Education Support | 399,123 | 407,050 | 398,212 | 8,838 |
| Vocational Education Support | | | | |
| Contracts with Other School Systems | 11,450 | 11,450 | 11,436 | 14 |
| Total Vocational Education Support | 11,450 | 11,450 | 11,436 | 14 |
| Board of Education | | | | |
| Board and Committee Members | 17,400 | 17,400 | 17,400 | - |
| Social Security | 1,079 | 1,079 | 1,079 | - |
| State Retirement | 1,221 | 1,221 | 1,026 | 195 |
| Retiree Life Insurance | - | 1,025 | 1,025 | - |
| Retiree Health Insurance | - | 9,429 | 9,429 | - |
| Employer Medicare | 252 | 252 | 252 | - |
| OPEB Contribution | 26,000 | 50,000 | 50,000 | - |
| Audit Services | 41,000 | 41,000 | 36,250 | 4,750 |
| Dues & Membership | 7,700 | 10,400 | 10,323 | 77 |
| Legal Services | 60,000 | 55,300 | 32,149 | 23,151 |
| Travel | 8,000 | 7,864 | 3,711 | 4,153 |
| Other Contracted Services | 8,000 | 8,000 | 2,000 | 6,000 |
| Other Supplies & Material | 800 | 800 | 71 | 729 |
| Liability Insurance | 24,000 | 24,136 | 21,636 | 2,500 |
| Workers Compensation Insurance | 61,000 | 70,000 | 69,537 | 463 |
| In-Service/Staff Development | 1,000 | 5,000 | 4,800 | 200 |
| Total Board of Education | 257,452 | 302,906 | 260,688 | 42,218 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Office of the Director of Schools | | | | |
| Director of Schools | \$ 123,600 | \$ 123,600 | \$ 124,400 | \$ (800) |
| Secretary Salary | 45,000 | 45,000 | 45,515 | (515) |
| Clerical | 40,000 | 40,000 | 21,329 | 18,671 |
| Social Security | 13,232 | 13,232 | 11,261 | 1,971 |
| State Retirement | 18,857 | 18,857 | 17,360 | 1,497 |
| Life Insurance | 855 | 855 | 761 | 94 |
| Medical Insurance | 22,935 | 27,441 | 23,384 | 4,057 |
| Dental Insurance | - | - | 912 | (912) |
| Employer Medicare | 3,094 | 3,094 | 2,715 | 379 |
| Other Fringe Benefits | 4,800 | 4,800 | 4,800 | - |
| Dues & Membership | 3,600 | 4,320 | 4,320 | - |
| Postal Charges | 2,000 | 2,000 | 2,000 | - |
| Travel | 3,000 | 4,400 | 3,788 | 612 |
| Other Contracted Services | 11,000 | 11,000 | 9,918 | 1,082 |
| Office Supplies | 10,000 | 9,600 | 6,451 | 3,149 |
| Other Supplies & Material | 500 | 500 | 403 | 97 |
| In-Service/Staff Development | 1,000 | 1,000 | 285 | 715 |
| Other Charges | 10,000 | 3,774 | 3,611 | 163 |
| Administrative Equipment | 3,000 | 3,000 | 1,110 | 1,890 |
| Total Office of the Director of Schools | <u>316,473</u> | <u>316,473</u> | <u>284,323</u> | <u>32,150</u> |
| Office of Principal | | | | |
| Principal | 416,207 | 417,207 | 416,207 | 1,000 |
| Career Ladder Program | 5,000 | 6,000 | 7,000 | (1,000) |
| Assistant Principal | 497,689 | 497,688 | 498,488 | (800) |
| Secretary | 159,621 | 159,073 | 159,155 | (82) |
| Clerical | 301,084 | 300,179 | 280,339 | 19,840 |
| Other Salaries | 68,607 | 47,604 | 47,282 | 322 |
| Social Security | 89,789 | 88,521 | 81,908 | 6,613 |
| State Retirement | 126,382 | 124,735 | 126,094 | (1,359) |
| Life Insurance | 5,916 | 5,824 | 5,668 | 156 |
| Medical Insurance | 121,626 | 132,673 | 131,368 | 1,305 |
| Employer Medicare | 20,999 | 20,702 | 19,156 | 1,546 |
| Dues and Membership | - | 300 | 115 | 185 |
| Contract with Other Government - SRO | 13,720 | - | - | - |
| Office Supplies | - | 200 | 94 | 106 |
| Staff Development | - | 615 | 365 | 250 |
| Other Charges | - | 2,000 | 2,000 | - |
| Administrative Equipment | 20,000 | 19,885 | 3,310 | 16,575 |
| Total Office of Principal | <u>1,846,640</u> | <u>1,823,206</u> | <u>1,778,549</u> | <u>44,657</u> |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------|------------------|----------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Fiscal Services | | | | |
| Supervisor | \$ 72,500 | \$ 72,500 | \$ 72,500 | \$ - |
| Bookkeeper | 50,000 | 50,000 | 45,570 | 4,430 |
| Purchasing | 41,500 | 41,500 | 39,645 | 1,855 |
| Social Security | 10,168 | 10,168 | 9,511 | 657 |
| State Retirement | 13,350 | 13,350 | 13,199 | 151 |
| Life Insurance | 672 | 672 | 644 | 28 |
| Medical Insurance | 19,213 | 18,537 | 17,368 | 1,169 |
| Employer Medicare | 2,378 | 2,378 | 2,224 | 154 |
| Dues & Membership | 150 | 150 | 125 | 25 |
| Travel | 2,000 | 2,000 | 1,353 | 647 |
| Other Contracted Services | 63,000 | 63,000 | 51,347 | 11,653 |
| Office Supplies | 400 | 400 | 251 | 149 |
| Other Supplies & Material | 1,600 | 1,600 | 1,600 | - |
| Staff Development | 2,500 | 2,500 | 1,180 | 1,320 |
| Total Fiscal Services | <u>279,431</u> | <u>278,755</u> | <u>256,517</u> | <u>22,238</u> |
| Human Services | | | | |
| Supervisor | 70,000 | 70,000 | 70,000 | - |
| Clerical | 83,000 | 67,500 | 67,477 | 23 |
| Social Security | 9,486 | 8,525 | 7,632 | 893 |
| State Retirement | 12,454 | 11,193 | 11,191 | 2 |
| Life Insurance | 627 | 564 | 570 | (6) |
| Medical Insurance | 16,354 | 13,696 | 15,929 | (2,233) |
| Unemployment Compensation | 10,000 | 15,000 | 8,539 | 6,461 |
| Employer Medicare | 2,219 | 1,994 | 1,785 | 209 |
| Advertising | 600 | 600 | 272 | 328 |
| Dues & Membership | 200 | 340 | 340 | - |
| Travel | 1,500 | 2,500 | 2,385 | 115 |
| Other Contracted Services | 48,000 | 48,000 | 46,402 | 1,598 |
| Office Supplies | 6,000 | 6,000 | 3,424 | 2,576 |
| Staff Development | 4,000 | 3,000 | 200 | 2,800 |
| Other Charges | 1,000 | 860 | 706 | 154 |
| Total Human Services | <u>265,440</u> | <u>249,772</u> | <u>236,852</u> | <u>12,920</u> |
| Plant Operations | | | | |
| Supervisor | 67,500 | 67,500 | 67,500 | - |
| Plant Manager | 206,000 | 206,000 | 203,579 | 2,421 |
| Social Security | 16,957 | 16,957 | 15,892 | 1,065 |
| State Retirement | 22,263 | 22,263 | 22,066 | 197 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|------------------|-----------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Plant Operations (continued) | | | | |
| Life Insurance | \$ 1,122 | \$ 1,120 | \$ 1,109 | \$ 11 |
| Medical Insurance | 19,852 | 25,879 | 25,879 | - |
| Employer Medicare | 3,966 | 3,966 | 3,717 | 249 |
| Dues & Membership | 200 | 200 | - | 200 |
| Janitorial Services | 515,000 | 507,854 | 493,748 | 14,106 |
| Travel | 1,500 | 1,500 | 1,303 | 197 |
| Custodial Supplies | 1,000 | 1,000 | 950 | 50 |
| Electricity | 900,000 | 627,066 | 571,820 | 55,246 |
| Water & Sewer | 28,000 | 28,993 | 28,993 | - |
| Other Supplies & Material | 500 | 1,000 | 381 | 619 |
| Building & Content Insurance | 74,110 | 78,456 | 78,456 | - |
| Staff Development | 100 | 100 | - | 100 |
| Other Charges (Sanitation) | 28,000 | 31,700 | 29,255 | 2,445 |
| Plant Operation Equipment | 5,000 | 1,300 | 45 | 1,255 |
| Total Plant Operations | 1,891,070 | 1,622,854 | 1,544,693 | 78,161 |
| Plant Maintenance | | | | |
| Maintenance Personnel | 93,000 | 89,561 | 47,416 | 42,145 |
| Social Security | 5,765 | 5,553 | 2,634 | 2,919 |
| State Retirement | 3,663 | 4,197 | 3,100 | 1,097 |
| Life Insurance | 185 | 211 | 153 | 58 |
| Medical Insurance | 8,320 | 11,169 | 6,331 | 4,838 |
| Medicare | 1,349 | 1,299 | 616 | 683 |
| Maintenance & Repair - Buildings | 100,000 | 100,000 | 96,737 | 3,263 |
| Maintenance & Repair - Equipment | 75,000 | 75,000 | 74,802 | 198 |
| Maintenance & Repair - Vehicle | 500 | 500 | 45 | 455 |
| Other Contracted Services | 100,000 | 100,000 | 93,491 | 6,509 |
| Equipment & Machinery Parts | 7,000 | 6,720 | 2,129 | 4,591 |
| Gasoline | 1,500 | 2,102 | 2,102 | - |
| Other Supplies & Material | 2,000 | 1,970 | 104 | 1,866 |
| Vehicle & Equip Insurance | 161 | 161 | - | 161 |
| Other Charges | 500 | 500 | 323 | 177 |
| Administrative Equipment | 1,000 | 1,000 | - | 1,000 |
| Maintenance Equipment | 10,000 | 10,000 | 3,920 | 6,080 |
| Total Plant Maintenance | 409,943 | 409,943 | 333,903 | 76,040 |
| Pupil Transportation | | | | |
| Contracts Other School Systems | 27,950 | 27,950 | 24,912 | 3,038 |
| Contract Private Agencies | 1,260,000 | 1,060,000 | 1,026,182 | 33,818 |
| Diesel Fuel | 130,000 | 95,546 | 66,536 | 29,010 |
| Total Pupil Transportation | 1,417,950 | 1,183,496 | 1,117,630 | 65,866 |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Technology (IT Support) | | | | |
| Supervisor | \$ 75,000 | \$ 77,538 | \$ 86,522 | \$ (8,984) |
| IT Salary | 93,000 | 93,000 | 94,800 | (1,800) |
| Social Security | 10,416 | 10,573 | 10,191 | 382 |
| State Retirement | 14,350 | 14,580 | 15,175 | (595) |
| Life Insurance | 689 | 699 | 722 | (23) |
| Medical Insurance | 22,485 | 22,485 | 22,484 | 1 |
| Employer Medicare | 2,436 | 2,473 | 2,383 | 90 |
| Communications | 259,300 | 635,322 | 568,354 | 66,968 |
| Consultants | 4,800 | 4,800 | - | 4,800 |
| IT-Shared Services | 17,000 | 17,000 | 14,332 | 2,668 |
| Maintenance & Repair Services | 800 | 1,400 | 1,382 | 18 |
| Travel | 80,000 | 80,000 | 54,275 | 25,725 |
| Other Contracted Services | 1,800 | 1,800 | 197 | 1,603 |
| Office Supplies | 7,000 | 7,000 | 1,000 | 6,000 |
| Other Supplies & Material | 8,500 | 7,900 | 4,534 | 3,366 |
| In-Service/Staff Development | 2,000 | 2,000 | 1,100 | 900 |
| Other Charges | 11,900 | 11,900 | 6,346 | 5,554 |
| Administrative Equipment | 86,000 | 83,029 | 83,029 | - |
| Regular Instruction Equipment | - | 131,894 | 131,894 | - |
| Other Equipment | 25,000 | 25,000 | 17,129 | 7,871 |
| Total Technology (IT Support) | 722,476 | 1,230,393 | 1,115,849 | 114,544 |
| Total Support Services | 9,501,645 | 9,558,121 | 8,867,694 | 690,427 |
| NON-INSTRUCTIONAL | | | | |
| Early Childhood Education | | | | |
| Teachers | 232,673 | 231,030 | 231,030 | - |
| Educational Assistant | 72,335 | 72,278 | 72,279 | (1) |
| Other Salaries & Wages | 1,000 | 100 | 100 | - |
| Social Security | 18,186 | 18,095 | 17,956 | 139 |
| State Retirement | 27,246 | 26,757 | 26,757 | - |
| Life Insurance | 1,241 | 1,237 | 1,237 | - |
| Medical Insurance | 15,804 | 16,817 | 16,817 | - |
| Employer Medicare Liability | 4,406 | 4,232 | 4,199 | 33 |
| Evaluation and Testing | 2,000 | - | - | - |
| Contracted Substitutes - Certified | 2,340 | 4,503 | 3,718 | 785 |
| Other Contracted Services | 101,760 | 103,469 | 103,469 | - |
| Instructional Supplies & Material | 22,568 | 19,020 | 19,020 | - |
| Other Supplies & Material | 1,000 | 3,216 | 3,216 | - |

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------------------------------|
| | Original | Final | | |
| Early Childhood Education (continued) | | | | |
| Staff Development | \$ 2,000 | \$ 282 | \$ 282 | \$ - |
| Other Charges | 1,000 | 5,558 | 5,181 | 377 |
| Regular Instructional Equipment | 1,000 | - | - | - |
| Other Equipment | - | 1,814 | 1,814 | - |
| Total Early Childhood Education | <u>506,559</u> | <u>508,408</u> | <u>507,075</u> | <u>1,333</u> |
| Total Non-Instructional | 506,559 | 508,408 | 507,075 | 1,333 |
| CAPITAL OUTLAY | <u>169,845</u> | <u>220,000</u> | <u>216,485</u> | <u>3,515</u> |
| TOTAL EXPENDITURES BEFORE DEBT SERVICE | <u>23,070,649</u> | <u>22,814,406</u> | <u>21,496,384</u> | <u>1,318,022</u> |
| INTER-FUND DEBT SERVICE | | | | |
| Principal on Note | - | 230,219 | 230,219 | - |
| Total Debt Service | <u>-</u> | <u>230,219</u> | <u>230,219</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>23,070,649</u> | <u>23,044,625</u> | <u>21,726,603</u> | <u>1,318,022</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| From City of Millington | 500,000 | 730,219 | 730,219 | - |
| Transfer from Other Funds | 22,461 | 22,461 | 24,748 | (2,287) |
| Transfer to Other Funds | - | (1,995,920) | (1,995,920) | - |
| Total Other Financing Sources (Uses) | <u>522,461</u> | <u>(1,243,240)</u> | <u>(1,240,953)</u> | <u>(2,287)</u> |
| APPROPRIATED FUND BALANCE | <u>-</u> | <u>(1,099,999)</u> | <u>-</u> | <u>(1,099,999)</u> |
| Total EXPENDITURES AND OTHER FINANCING SOURCES | <u>\$ 22,548,188</u> | <u>\$ 23,187,866</u> | <u>\$ 22,967,556</u> | <u>\$ 220,310</u> |
| Net change in fund balances | | | 604,959 | |
| Fund balance - beginning | | | <u>3,767,407</u> | |
| Fund balance - ending | | | <u>\$ 4,372,366</u> | |

SUPPORTING SCHEDULES

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2016

| Federal Grantor/ Pass-Through Agency/Program | CFDA Number | Contract Number | Beginning Receivable | Cash Receipts | Expenditures | Ending Receivable |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------|-------------------------|---------------------|---------------------|----------------------|
| <u>Federal Awards</u> | | | | | | |
| U.S. Department of Housing and Urban Development | | | | | | |
| Shelby County/Hurricane Sandy Community Development Block Grant Disaster Recovery Grant | 14.218 | | \$ 13,625 | \$ 258,385 | \$ 596,773 | \$ 352,013 |
| State of Tennessee/Hurricane Sandy Community Development Block Grant Disaster Recovery Grant | 14.269 | | 105,563 | 1,000,000 | 894,437 | - |
| Total US Department of Housing and Urban Development | | | <u>119,188</u> | <u>1,258,385</u> | <u>1,491,210</u> | <u>352,013</u> |
| U.S. Department of Transportation | | | | | | |
| State of Tennessee/Highway Planning and Construction | 20.205 | 090009 | 346,764 | 346,341 | 192,259 | 192,682 |
| State of Tennessee/Highway Planning and Construction | 20.205 | 090010 | 1,508 | 1,508 | - | - |
| State of Tennessee/Highway Planning and Construction | 20.205 | | 13,700 | 12,000 | 5,040 | 6,740 |
| State of Tennessee/Highway Planning and Construction | 20.205 | | - | 473,678 | 477,891 | 4,213 |
| State of Tennessee/Highway Planning and Construction | 20.205 | | - | - | 87,333 | 87,333 |
| State of Tennessee/Highway Planning and Construction | 20.205 | | - | - | 14,459 | 14,459 |
| Total US Department of Transportation | | | <u>361,972</u> | <u>833,527</u> | <u>776,982</u> | <u>305,427</u> |
| U.S. Department of Justice | | | | | | |
| State of Tennessee/Edward Byrne Memorial Justice Assistance Grant Direct Award/Community Oriented Policing Services/Public Safety | 16.738 | | 15,000 | 15,000 | - | - |
| Partnership and Community Policing | 16.710 | 2011UMWX0174 | 15,571 | 60,745 | 45,174 | - |
| Total US Department of Justice | | | <u>30,571</u> | <u>75,745</u> | <u>45,174</u> | <u>-</u> |
| Total Federal Awards | | | <u>\$ 511,731</u> | <u>\$ 2,167,657</u> | <u>\$ 2,313,366</u> | <u>\$ 657,440</u> |
| Total State Awards | | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF MILLINGTON, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal and state awards (the “Schedule”) includes the federal grant activity of the City of Millington, Tennessee under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Millington, Tennessee, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Millington, Tennessee.

NOTE 2 – LOANS OUTSTANDING

At June 30, 2016, there was an outstanding balance of \$2,683,438 on a loan obtained in a previous year through the State Revolving Loan Fund. The loan was 32.83% federally funded. Federally funded amounts received during the year ended June 30, 2016 of \$175,033 related to reimbursement of expenditures during the year ended June 30, 2015. Payments on the loan during the current fiscal year totaled \$123,540.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in either OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. There were no federal awards passed through to subrecipients.
4. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
5. The schedule does not contain the federal and state awards of Millington Municipal Schools. Those awards are presented in a separately issued report.

NOTE 4 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS TO THE FINANCIAL STATEMENTS

| | |
|-----------------------------------------------------------------------------|---------------------|
| Total grant revenue per governmental funds | \$ 20,325,763 |
| MMS federal and state grant awards | (17,166,846) |
| Non-federal and state grant awards | (483,207) |
| Change in unavailable revenue | (309,758) |
| Change in unavailable revenue not related to federal and state grant awards | (31,130) |
| Current year unbilled grant expenditures | 1,754 |
| Prior year unbilled grant expenditures billed in the current year | (23,210) |
| Total federal and state award expenditures | <u>\$ 2,313,366</u> |

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

For the Year Ended June 30, 2016

As of June 30, 2016, the City of Millington, Tennessee served approximately 3,000 water, sewer, and sanitation customers and had the following rate structure in place:

Water Rates:

| <u>Gallons Used</u> | <u>Rate</u> |
|-------------------------------|-------------|
| First 2,000 gallons | \$ 10.50 |
| Each additional 1,000 gallons | \$ 3.52 |

Sewer Rates:

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

Sanitation Rates:

| <u>Type</u> | <u>Monthly Charge</u> |
|-------------|-----------------------|
| Residential | \$ 21.00 |

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FIDELITY BONDS AND PRINCIPAL OFFICIALS

For the Year Ended June 30, 2016

| <u>Position</u> | <u>Amount of Bond</u> | <u>Surety</u> |
|-----------------------|---------------------------|---------------------|
| Mayor | \$150,000 | TML Risk Management |
| City Clerk | \$150,000 | TML Risk Management |
| City Court Clerk | \$150,000 | TML Risk Management |
| Police Chief | \$150,000 | TML Risk Management |
| Fire Chief | \$150,000 | TML Risk Management |
| Seven Alderman (each) | \$150,000 | TML Risk Management |

CITY OF MILLINGTON, TENNESSEE

SCHEDULES OF PROPERTY TAXES

For the Year Ended June 30, 2016

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

| Year of Levy | Balance June 30, 2015 | Assessment | Adjustments/ Abatements | Collections | June 30, 2016 |
|--------------------------------------------|--------------------------|---------------------|----------------------------|-----------------------|------------------|
| 2016 | \$ - | 2,662,348 | - | - | \$ 2,662,348 |
| 2015 | 2,751,429 | - | (12,479) | (2,660,634) | 78,316 |
| 2014 | 87,821 | - | 316 | (62,160) | 25,977 |
| 2013 | 36,604 | - | (466) | (23,539) | 12,599 |
| 2012 | 8,148 | - | (59) | (3,330) | 4,759 |
| 2011 | 6,630 | - | (153) | (2,828) | 3,649 |
| 2010 | 4,111 | - | (635) | (1,183) | 2,293 |
| 2009 | 2,889 | - | (1,024) | (311) | 1,554 |
| 2008 | 3,896 | - | (2,825) | (285) | 786 |
| 2007 | 1,243 | - | (634) | (285) | 324 |
| Prior Years | 6,667 | - | (6,240) | - | 427 |
| Total | 2,909,438 | \$ 2,662,348 | \$ (24,199) | \$ (2,754,555) | 2,793,032 |
| Allowance for uncollectible property taxes | (176,456) | | | | (131,623) |
| Net receivables | 2,732,982 | | | | 2,661,409 |

PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS

| Year of Levy | Realty and Personalty | Public Utility | Total Assessed Valuation | Tax Rate per \$100 | Levy |
|--------------|-----------------------|----------------|--------------------------|--------------------|--------------|
| 2016 | \$ 164,444,435 | \$ 9,564,902 | \$ 174,009,337 | \$ 1.53 | \$ 2,662,343 |
| 2015 | 169,360,610 | 10,470,983 | \$ 179,831,593 | 1.53 | 2,751,423 |
| 2014 | 164,129,730 | 9,787,365 | \$ 173,917,095 | 1.53 | 2,660,932 |
| 2013 | 168,185,180 | 9,682,797 | \$ 177,867,977 | 1.53 | 2,721,380 |
| 2012 | 166,983,760 | 9,017,800 | \$ 176,001,560 | 1.23 | 2,164,819 |
| 2011 | 169,234,480 | 9,043,000 | \$ 178,277,480 | 1.23 | 2,192,813 |
| 2010 | 182,557,550 | 9,490,000 | \$ 192,047,550 | 1.23 | 2,362,185 |
| 2009 | 174,747,779 | 9,357,031 | \$ 184,104,810 | 1.23 | 2,264,489 |
| 2008 | 155,641,650 | 8,534,562 | \$ 164,176,212 | 1.23 | 2,019,367 |
| 2007 | 139,290,570 | 8,178,224 | \$ 147,468,794 | 1.23 | 1,813,866 |
| 2006 | 132,991,630 | 7,210,450 | \$ 140,202,080 | 1.23 | 1,724,486 |

DELINQUENT PROPERTY TAXES

The City of Millington files delinquent property taxes with the Chancery Court on the first business day of April each year once taxes become two years old.

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 7,030,238 | \$ 6,936,947 | \$ 6,643,269 | \$ 6,200,240 | \$ 6,351,200 | \$ 6,465,856 | \$ 6,279,618 | \$ 6,036,013 | \$ 5,945,932 | \$ 5,812,756 |
| Licenses, permits, and fees | 1,387,162 | 2,024,240 | 1,971,314 | 1,843,546 | 1,932,305 | 1,668,104 | 1,659,488 | 1,646,805 | 1,744,600 | 1,629,845 |
| Intergovernmental | 14,068,205 | 15,076,551 | 4,092,671 | 3,501,239 | 2,299,555 | 2,345,421 | 2,278,698 | 2,319,850 | 2,184,958 | 1,929,801 |
| Fines, forfeitures, and penalties | 677,440 | 733,143 | 635,598 | 839,232 | 1,117,138 | 1,004,927 | 788,423 | 619,930 | 663,055 | 706,943 |
| Federal, state, and local grants | 20,325,763 | 15,960,759 | 867,738 | 8,776,233 | 11,269,191 | 4,653,741 | 805,763 | 180,119 | 161,624 | 39,754 |
| Interest on investments | 5,511 | 5,256 | 5,526 | 34,954 | 49,343 | 107,286 | 154,129 | 156,067 | 361,304 | 476,430 |
| Increase (decrease) in fair value of investments | - | - | - | - | - | - | - | 1,168 | 26,323 | 10,322 |
| Recreation | 439,419 | 442,477 | 375,109 | 386,951 | 389,020 | 303,377 | 273,334 | 142,315 | 110,872 | 89,659 |
| Other | 1,085,882 | 612,457 | 248,499 | 156,506 | 438,376 | 545,405 | 531,308 | 397,272 | 369,820 | 388,255 |
| Total | 45,019,620 | 41,791,830 | 14,839,724 | 21,738,901 | 23,846,128 | 17,094,117 | 12,770,761 | 11,499,539 | 11,568,488 | 11,083,765 |
| Other Financing Sources | | | | | | | | | | |
| Loan proceeds | 2,125,364 | 1,900,000 | - | 1,150,000 | - | 6,000,000 | - | 5,000,000 | - | - |
| Operating transfers in | 5,878,042 | 4,341,172 | 1,866,072 | 1,035,589 | 786,511 | 1,240,955 | 1,181,314 | 1,170,577 | 1,220,631 | 1,053,660 |
| | 8,003,406 | 6,241,172 | 1,866,072 | 2,185,589 | 786,511 | 7,240,955 | 1,181,314 | 6,170,577 | 1,220,631 | 1,053,660 |
| Special Items | | | | | | | | | | |
| Sale of commercial business line | - | 226,500 | - | - | - | - | - | - | - | - |
| Total revenues, other financing sources and special items | \$53,023,026 | \$48,259,502 | \$16,705,796 | \$23,924,490 | \$24,632,639 | \$24,335,072 | \$13,952,075 | \$17,670,116 | \$12,789,119 | \$12,137,425 |

CITY OF MILLINGTON, TENNESSEE

GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION


For the Last Ten Fiscal Years Ended June 30

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General government | \$ 1,855,394 | \$ 1,889,409 | \$ 1,791,686 | \$ 1,544,148 | \$ 1,886,636 | \$ 1,971,869 | \$ 1,857,509 | \$ 1,914,036 | \$ 1,958,214 | \$ 1,825,299 |
| Public Safety | | | | | | | | | | |
| Police | 2,813,957 | 2,778,475 | 2,674,307 | 3,111,530 | 3,291,353 | 3,246,625 | 3,198,797 | 3,135,905 | 3,461,523 | 2,962,084 |
| Fire | 2,648,849 | 3,138,385 | 3,039,007 | 3,284,079 | 3,173,985 | 3,163,826 | 3,117,054 | 3,126,272 | 3,157,058 | 2,674,949 |
| Drug control | 17,106 | 30,936 | 79,345 | 120,217 | - | - | - | - | - | - |
| Total public safety | <u>5,479,912</u> | <u>5,947,796</u> | <u>5,792,659</u> | <u>6,515,826</u> | <u>6,465,338</u> | <u>6,410,451</u> | <u>6,315,851</u> | <u>6,262,177</u> | <u>6,618,581</u> | <u>5,637,033</u> |
| Community Services | | | | | | | | | | |
| Library | 321,626 | 312,701 | 314,345 | 295,243 | | | | | | |
| Arts, recreation, and parks | 846,803 | 820,739 | 803,572 | 1,494,685 | | | | | | |
| Recreation | - | - | - | - | 591,476 | 577,727 | 630,004 | 715,966 | 819,612 | 705,379 |
| Baker Community Center | - | - | - | - | 230,886 | 216,451 | 182,780 | 269,150 | 204,168 | 157,561 |
| Sports Authority | - | - | - | - | 368,468 | 419,202 | 299,911 | - | - | - |
| Total community services | <u>1,168,429</u> | <u>1,133,440</u> | <u>1,117,917</u> | <u>1,789,928</u> | <u>1,190,830</u> | <u>1,213,380</u> | <u>1,112,695</u> | <u>985,116</u> | <u>1,023,780</u> | <u>862,940</u> |
| Transportation and Environment | | | | | | | | | | |
| Public works | 694,748 | 750,539 | 797,186 | 261,844 | 487,700 | 590,251 | 880,943 | 583,121 | 585,403 | 578,401 |
| Sanitation | 713,650 | 832,149 | 847,900 | 974,156 | 1,000,186 | 854,490 | 1,015,824 | 827,205 | 1,219,855 | 764,141 |
| Storm Water | 317,235 | 276,148 | 343,401 | 382,862 | - | - | - | - | - | - |
| Highways and streets | 447,391 | 326,061 | 320,170 | 705,129 | 1,367,258 | 946,176 | 816,981 | 765,789 | 785,327 | 675,986 |
| Total transportation and environment | <u>2,173,024</u> | <u>2,184,897</u> | <u>2,308,657</u> | <u>2,323,991</u> | <u>2,855,144</u> | <u>2,390,917</u> | <u>2,713,748</u> | <u>2,176,115</u> | <u>2,590,585</u> | <u>2,018,528</u> |
| Education | 25,004,668 | 22,559,531 | 935,497 | 171,122 | - | - | - | - | - | - |
| Debt service | 814,898 | 2,848,834 | 745,067 | 670,536 | 650,454 | 5,835,245 | 745,604 | 641,076 | 639,631 | 653,660 |
| Capital projects | 7,817,347 | 2,809,478 | 740,282 | 10,966,134 | 13,216,764 | 6,476,889 | 1,245,844 | 276,215 | 335,423 | 555,731 |
| Total expenditures | <u>44,313,672</u> | <u>39,373,385</u> | <u>13,431,765</u> | <u>23,981,685</u> | <u>26,265,166</u> | <u>24,298,751</u> | <u>13,991,251</u> | <u>12,254,735</u> | <u>13,166,214</u> | <u>11,553,191</u> |
| Other Financing Uses | | | | | | | | | | |
| Operating transfers out | <u>5,878,042</u> | <u>4,341,172</u> | <u>4,156,315</u> | <u>1,035,589</u> | <u>786,511</u> | <u>1,240,955</u> | <u>1,181,314</u> | <u>1,170,577</u> | <u>1,220,631</u> | <u>1,053,660</u> |
| Total expenditures and other financing uses | <u>\$50,191,714</u> | <u>\$43,714,557</u> | <u>\$17,588,080</u> | <u>\$25,017,274</u> | <u>\$27,051,677</u> | <u>\$25,539,706</u> | <u>\$15,172,565</u> | <u>\$13,425,312</u> | <u>\$14,386,845</u> | <u>\$12,606,851</u> |

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2016



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association

Water Audit Report for: City of Millington

Reporting Year: 2016 7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the

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

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

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

| | | | | |
|--------------------------|-----|-----|----------------|-------|
| Volume from own sources: | + ? | 9 | 328.989 | MG/Yr |
| Water imported: | + ? | n/a | 0.000 | MG/Yr |
| Water exported: | + ? | n/a | 0.000 | MG/Yr |
| WATER SUPPLIED: | | | 335.989 | MG/Yr |

Master Meter and Supply Error Adjustments

| | | | | |
|--------|-----|-----|--------|-------|
| Pcnt: | + ? | 3 | -7.000 | MG/Yr |
| Value: | + ? | n/a | 0.000 | MG/Yr |
| Value: | + ? | n/a | 0.000 | MG/Yr |

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

AUTHORIZED CONSUMPTION

| | | | | |
|--------------------------------|-----|-----|----------------|-------|
| Billed metered: | + ? | 7 | 294.887 | MG/Yr |
| Billed unmetered: | + ? | n/a | n/a | MG/Yr |
| Unbilled metered: | + ? | n/a | n/a | MG/Yr |
| Unbilled unmetered: | + ? | 9 | 19.923 | MG/Yr |
| AUTHORIZED CONSUMPTION: | | | 314.810 | MG/Yr |

Unbilled Unmetered volume entered is greater than the recommended default value

Click here:

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% Value: MG/Yr

5.00% Value: MG/Yr

0.25% Value: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

21.179 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

Customer metering inaccuracies: MG/Yr

Systematic data handling errors: MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles

Number of active AND inactive service connections:

Service connection density: conn./mile main

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

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: psi

COST DATA

| | | | | |
|---------------------------------------------------------|-----|----|-------------|------------------------------------------------------------------------------------------------|
| Total annual cost of operating water system: | + ? | 9 | \$1,131,403 | \$/Year |
| Customer retail unit cost (applied to Apparent Losses): | + ? | 8 | \$3.35 | \$/1000 gallons (US) |
| Variable production cost (applied to Real Losses): | + ? | 10 | \$485.14 | \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses |

WATER AUDIT DATA VALIDITY SCORE: ***** YOUR SCORE IS: 80 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Billed metered
- 2: Volume from own sources
- 3: Unauthorized consumption

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CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER (CONTINUED)

June 30, 2016

| AWWA Free Water Audit Software: | | WAS v5.0 |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| System Attributes and Performance Indicators | | American Water Works Association. |
| Water Audit Report for: <input type="text" value="City of Millington"/> | | |
| Reporting Year: <input type="text" value="2016"/> <input type="text" value="7/2015 - 6/2016"/> | | |
| *** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 *** | | |
| System Attributes: | | |
| | Apparent Losses: | <input type="text" value="17.098"/> MG/Yr |
| | + Real Losses: | <input type="text" value="4.081"/> MG/Yr |
| | = Water Losses: | <input type="text" value="21.179"/> MG/Yr |
| <input type="checkbox"/> | Unavoidable Annual Real Losses (UARL): | <input type="text" value="23.88"/> MG/Yr |
| | Annual cost of Apparent Losses: | <input type="text" value="\$57,277"/> |
| | Annual cost of Real Losses: | <input type="text" value="\$1,980"/> Valued at Variable Production Cost |
| Return to Reporting Worksheet to change this assumption | | |
| Performance Indicators: | | |
| Financial: | [| Non-revenue water as percent by volume of Water Supplied: <input type="text" value="12.2%"/> |
| | | Non-revenue water as percent by cost of operating system: <input type="text" value="6.1%"/> Real Losses valued at Variable Production Cost |
| Operational Efficiency: | [| Apparent Losses per service connection per day: <input type="text" value="9.96"/> gallons/connection/day |
| | | Real Losses per service connection per day: <input type="text" value="2.38"/> gallons/connection/day |
| | | Real Losses per length of main per day*: <input type="text" value="N/A"/> |
| | | Real Losses per service connection per day per psi pressure: <input type="text" value="0.04"/> gallons/connection/day/psi |
| | | From Above, Real Losses = Current Annual Real Losses (CARL): <input type="text" value="4.08"/> million gallons/year |
| <input type="checkbox"/> | | Infrastructure Leakage Index (ILI) [CARL/UARL]: <input type="text" value="0.17"/> |
| * This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline | | |

GOVERNMENT AUDITING STANDARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and the general purpose school fund and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2016. Our report includes a reference to other auditors who audited the financial statements of Millington Municipal Schools, (the "School"), as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

During the year ended June 30, 2016, a shortage of funds was discovered in the Police Department in the amount of \$12,190. Total funds of \$19,962 were held for safekeeping by the Police Department following a death investigation in April 2015. The shortage was discovered at the time the funds were to be delivered to the next of kin in August 2015. The Attorney General and the Tennessee Bureau of Investigation were brought in the next morning; their criminal investigation has been completed. A breakdown of internal controls over the property room led to the misappropriation. The Chief of Police was replaced and two other employees were terminated for improper management. The Police Department has initiated new internal controls to mitigate against future incidences. There is no expectation to recover the funds.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Memphis, Tennessee
December 21, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Millington, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Millington Municipal Schools (the "School") which received \$3,856,555 in federal awards which is not included in the City's schedule of expenditures of federal and state awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the School because the School engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins Universal, PLLC

Memphis Tennessee
December 21, 2016

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Millington, Tennessee.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Millington, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal award programs for the City of Millington, Tennessee expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was CFDA number 14.269 – Hurricane Sandy Community Development Block Grant Disaster Recovery Grant.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Millington, Tennessee qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported

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

None reported

CITY OF MILLINGTON, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2016

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

None

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION

2015-001 Incomplete Schedule of Expenditures of Federal Awards

Condition: Internal controls over compliance were not properly designed to detect and correct a material misstatement in the preparation of the schedule of expenditures of federal awards resulting in an unadjusted understatement of the schedule of expenditures of federal awards of \$928,138.

Recommendation: The auditor recommended that procedures be implemented to include periodic review of remittances received from grant funding sources to determine if funding includes amounts received from the federal government.

Current Status: The recommendation was adopted in fiscal year 2016. No similar findings were noted in the fiscal year 2016 audit.