

CITY OF MILLINGTON, TENNESSEE
FINANCIAL STATEMENTS

June 30, 2011



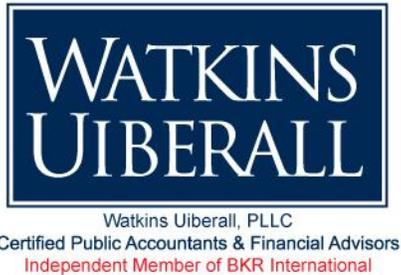
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund and sanitation fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining nonmajor fund financial statements and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information shown on pages 39 to 56 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The supplementary information shown on pages 57 to 65 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins Mikusall, PLLC

Memphis, Tennessee
January 30, 2012

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The management of the City of Millington (City) presents this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with information in the basic financial statements, which follow in this section.

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

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$36,741,109 (net assets). Of this amount, \$8,990,020 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$ 2,303,624 from the previous year.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$13,453,537. This is a decrease of \$1,204,634 compared to the previous year's balance. Approximately 44% of this total amount, \$5,953,107, is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 6,224,276 or 57% of total general fund expenditures including transfers out.

The City's principal payments on debt were \$ 5,599,727 during the current fiscal year and the city issued \$ 6,000,000 in new debt during the year.

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

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

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten (10) individual government funds. Six (6) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, sanitation fund, capital improvements fund, and nonmajor governmental funds, all of which are combined into a single, aggregate presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found starting on page 9 of this report.

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

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer activities, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-38 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and budget comparison schedules for funds with legal budgets other than the general fund and sanitation fund are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 47 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$36,741,109 at the close of the most recent fiscal year. This is an increase of \$ 2,303,624 from last year's net assets of \$ 34,437,485.

Of the City's total net assets, seventy-eight percent (78%) is reflected in investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt incurred to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following provides a summary of the City's net assets at June 30, 2011:

Summary of Net Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 19,195	\$ 19,340	\$ (772)	\$ (1,480)	\$ 18,423	\$ 17,860
Capital assets	17,439	12,802	15,781	16,228	33,220	29,030
Total assets	<u>36,634</u>	<u>32,142</u>	<u>15,009</u>	<u>14,748</u>	<u>51,643</u>	<u>46,890</u>
Long-term liabilities	9,771	8,379	298	149	10,069	8,528
Other liabilities	4,643	3,746	189	179	4,832	3,925
Total liabilities	<u>14,414</u>	<u>12,125</u>	<u>487</u>	<u>328</u>	<u>14,901</u>	<u>12,453</u>
Net assets:						
Invested in capital assets, net of related debt	12,906	9,697	15,781	16,227	28,687	25,924
Restricted	323	188	-	-	323	188
Unrestricted	8,991	10,132	(1,259)	(1,807)	7,732	8,325
Total net assets	<u>\$ 22,220</u>	<u>\$20,017</u>	<u>\$14,522</u>	<u>\$14,420</u>	<u>\$36,742</u>	<u>\$ 34,437</u>

The City's restricted net assets of \$323,133 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$8,990,020 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by \$2,303,624 during the current fiscal year. Of this amount, \$ 2,202,254 represented an increase in the net assets from governmental activities and \$ 101,370 represented an increase in the net assets from business-type activities.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following is a summary of activities for the City during the fiscal year ended June 30, 2011:

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Program Revenues						
Charges for services	\$ 2,978	\$ 2,721	\$ 2,624	\$ 2,547	\$ 5,602	\$ 5,268
Operating grants and contributions	622	1,166	48	-	670	1,166
Capital grants and contributions	4,547	855	6	8	4,553	863
General revenues						
Local taxes	6,441	6,313	-	-	6,441	6,313
Intergovernmental	2,040	1,979	-	-	2,040	1,979
Interest on investments	107	154	6	9	113	163
Other	545	506	150	49	695	555
Total revenues	<u>17,280</u>	<u>13,694</u>	<u>2,834</u>	<u>2,613</u>	<u>20,114</u>	<u>16,307</u>
Expenses						
General government	2,237	2,164	-	-	2,237	2,164
Public safety	6,802	6,933	-	-	6,802	6,933
Transportation and environment	4,245	2,984	-	-	4,245	2,984
Community Services	1,565	1,420	-	-	1,565	1,420
Capital projects	-	-	-	-	-	-
Interest on long-term debt	228	187	-	-	228	187
Water	-	-	1,222	1,157	1,222	1,157
Sewer	-	-	1,510	1,433	1,510	1,433
Total expenses	<u>15,077</u>	<u>13,688</u>	<u>2,732</u>	<u>2,590</u>	<u>17,809</u>	<u>16,278</u>
Change in net assets	2,203	6	102	23	2,305	29
Net assets - beginning, as previously reported	20,017	19,827	14,420	14,397	34,437	34,224
Prior period adjustment	-	184	-	-	-	184
Net assets - beginning as restated	<u>20,017</u>	<u>20,011</u>	<u>14,420</u>	<u>14,397</u>	<u>34,437</u>	<u>34,408</u>
Net assets - end of year	<u>\$ 22,220</u>	<u>\$ 20,017</u>	<u>\$ 14,522</u>	<u>\$ 14,420</u>	<u>\$ 36,742</u>	<u>\$ 34,437</u>

Governmental Activities

Governmental activities increased the City's net assets by \$ 2,202,254.

Business-Type Activities

Business-type activities increased the City's net assets by \$101,370.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,453,537 which was a decrease of \$1,204,634 in comparison with the prior year. Approximately 44% of this amount, \$5,953,107, constitutes unreserved fund balance, which is available for spending at the City's discretion and approximately 51% of this amount, \$6,861,126 is assigned for capital projects and storm water projects.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The key elements of the decrease of \$1,204,634 are as follows:

- \$ 1,301,008 due to timing of funding versus timing of disbursements for capital projects
- \$ (196,712) in FEMA and TEMA reimbursements for sanitation related flood expenditures from FY10

The general fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$6,500,457, with \$6,224,276 unassigned. The General Fund unassigned fund balance represents approximately 57% of the total general fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$ 151,345 as a result of the current year operations.

The sanitation fund is a special revenue fund of the City. At the end of the current fiscal year, the fund balance of the Sanitation Fund was a negative \$ 242,145. The fund balance deficit decreased by \$ 196,712 as a result of current year operations including reimbursements from FEMA and TEMA for the flooding in FY10.

The capital improvements fund has a total fund balance of \$5,960,868, all of which was assigned. The fund balance of the capital improvements fund decreased by \$ 1,734,847. This decrease represents the expenditures for Veterans Parkway and other needed capital expenditures. Fund balance includes prior year revenues intended to fund the current year projects.

Nonmajor (other) governmental funds have a fund balance of \$ 1,234,357. Virtually all of this balance is assigned, restricted or nonspendable. The combined fund balance for all nonmajor governmental funds increased by \$ 484,846. Most of the nonmajor (other) governmental funds had a positive net change in their fund balances. The DEA drug fund purchased several assets which resulted in a decrease in the fund balance.

Proprietary Funds

The City implemented water and sewer system rate increases in April 2010 to cover increasing costs of operations. The water fund had operating income of \$148,195 as well as an overall increase in net assets of \$ 115,838. The sewer fund had an operating loss of \$ 19,072 as well as an overall decrease in net assets of \$ 14,468. Another sewer system rate increase was approved in June 2011.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$33,219,736 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furnishing and equipment, and construction in process.

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

Construction & Improvements	\$ 3,782,852
Buildings & Improvements	904,067
Furnishings & Equipment	254,161
Vehicles	200,391
Water and Sewer Plant Additions	198,624

Summary of Capital Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,627	\$ 5,627	\$ 727	\$ 727	\$ 6,354	\$ 6,354
Buildings and improvements	8,446	7,542	24,809	24,639	33,255	32,181
Furnishing and equipment	1,093	931	3,893	3,801	4,986	4,732
Vehicles	4,061	3,860	446	446	4,507	4,306
Construction in process	4,758	975	28	-	4,786	975
	<u>23,985</u>	<u>18,935</u>	<u>29,903</u>	<u>29,613</u>	<u>53,888</u>	<u>48,548</u>
Less accumulated depreciation	<u>(6,546)</u>	<u>(6,133)</u>	<u>(14,122)</u>	<u>(13,385)</u>	<u>(20,668)</u>	<u>(19,518)</u>
Total capital assets	<u>\$ 17,439</u>	<u>\$ 12,802</u>	<u>\$ 15,781</u>	<u>\$ 16,228</u>	<u>\$ 33,220</u>	<u>\$ 29,030</u>

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

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Summary of Outstanding Debt
(dollars expressed in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
YMCA Commitment	\$ 500	\$ 625	\$ -	\$ -	\$ 500	\$ 625
General obligation loans	6,603	6,108	-	-	6,603	6,108
Net post employment benefit obligation	1,997	975	298	149	2,295	1,124
Millington library exchange	671	671	-	-	671	671
Total long-term liabilities	<u>\$ 9,771</u>	<u>\$ 8,379</u>	<u>\$ 298</u>	<u>\$ 149</u>	<u>\$ 10,069</u>	<u>\$ 8,528</u>

Information related to the City's long-term debt can be found in Note 4 E to the financial statements on pages 32-33 of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2011-2012 fiscal year are discussed fully in the budget document and include the following:

Base water rates remained the same.

Base sewer rates remained the same while the usage rate increased \$0.30 per 1000 gallons.

A new pay structure was implemented for the Fire and Police Departments. Cost of living adjustment for all employees.

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

At June 30, 2011, the unreserved fund balance in the general fund was \$6,500,457. The City has approved a balanced General Fund operating budget of \$10,580,412 for the fiscal year 2011-2012 without the use of any of the unreserved General Fund fund balance.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Millington, Finance Director, 7930 Nelson Street, PO Box 247, Millington, Tennessee, 38083.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 8,216,428	\$ 2,402,837	\$ 10,619,265
Receivables			
Property taxes	2,396,227	-	2,396,227
Beer taxes	43,777	-	43,777
Accounts	101,520	465,514	567,034
Interest	812	143	955
Other	212,833	16,936	229,769
Less allowance for doubtful accounts	(253,993)	(97,676)	(351,669)
Internal balances	3,656,284	(3,656,284)	-
Due from other governments	4,504,864	38,506	4,543,370
Inventory	66,227	-	66,227
Restricted cash	13,565	575	14,140
Prepaid Items	236,379	57,149	293,528
Capital assets, not being depreciated	10,384,792	754,974	11,139,766
Capital assets, being depreciated, net	7,053,893	15,026,077	22,079,970
Total assets	<u>36,633,608</u>	<u>15,008,751</u>	<u>51,642,359</u>
LIABILITIES			
Accounts payable	1,186,640	9,318	1,195,958
Accrued expenses	1,260,093	173,104	1,433,197
Deferred revenue	2,105,100	-	2,105,100
Customer deposits	-	575	575
Due to other governments	91,898	6,421	98,319
Noncurrent liabilities:			
Due within one year	425,411	-	425,411
Due in more than one year	9,345,132	297,558	9,642,690
Total liabilities	<u>14,414,274</u>	<u>486,976</u>	<u>14,901,250</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,906,181	15,781,051	28,687,232
Restricted for:			
Gas inspection	149,890	-	149,890
Public safety	173,243	-	173,243
Unrestricted	8,990,020	(1,259,276)	7,730,744
Total net assets	<u>\$ 22,219,334</u>	<u>\$ 14,521,775</u>	<u>\$ 36,741,109</u>

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

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	\$ 2,236,854	\$ 613,807	\$ 106,641	\$ -	\$ (1,516,406)	\$ -	\$ (1,516,406)
Public safety	6,801,610	1,004,927	209,808	216,894	(5,369,981)	-	(5,369,981)
Community services	1,565,336	303,377	-	-	(1,261,959)	-	(1,261,959)
Transportation and environment	4,244,880	1,054,297	305,059	4,330,206	1,444,682	-	1,444,682
Interest on long-term debt	228,110	-	-	-	(228,110)	-	(228,110)
Total governmental activities	<u>15,076,790</u>	<u>2,976,408</u>	<u>621,508</u>	<u>4,547,100</u>	<u>(6,931,774)</u>	<u>-</u>	<u>(6,931,774)</u>
Business-type activities:							
Water	1,221,536	1,230,386	47,630	4,200	-	60,680	60,680
Sewer	1,510,044	1,393,681	-	1,500	-	(114,863)	(114,863)
Total business-type activities:	<u>2,731,580</u>	<u>2,624,067</u>	<u>47,630</u>	<u>5,700</u>	<u>-</u>	<u>(54,183)</u>	<u>(54,183)</u>
Total primary government	<u>\$ 17,808,370</u>	<u>\$ 5,600,475</u>	<u>\$ 669,138</u>	<u>\$ 4,552,800</u>	<u>(6,931,774)</u>	<u>(54,183)</u>	<u>(6,985,957)</u>
General revenues:							
Local taxes					6,440,975	-	6,440,975
Intergovernmental					2,040,362	-	2,040,362
Interest on investments					107,286	5,809	113,095
Other					545,405	149,744	695,149
Total general revenues and transfers					<u>9,134,028</u>	<u>155,553</u>	<u>9,289,581</u>
Change in net assets					<u>2,202,254</u>	<u>101,370</u>	<u>2,303,624</u>
Net assets - beginning					<u>20,017,080</u>	<u>14,420,405</u>	<u>34,437,485</u>
Net assets - ending					<u>\$ 22,219,334</u>	<u>\$ 14,521,775</u>	<u>\$ 36,741,109</u>

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

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

	General Fund	Special Revenue Sanitation Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,335,962	\$ 285,015	\$ -	\$ 2,536,258	\$ 1,059,193	\$ 8,216,428
Receivables						
Property taxes	2,396,227	-	-	-	-	2,396,227
Beer taxes	43,777	-	-	-	-	43,777
Accounts	-	101,520	-	-	-	101,520
Interest	720	28	-	2	62	812
Other	195,785	-	-	14,198	2,850	212,833
Less allowance for doubtful accounts	(173,147)	(71,423)	-	-	(9,423)	(253,993)
Due from other funds	2,359,888	6,020	-	3,717,492	227,625	6,311,025
Due from other governments	934,743	305,258	-	3,213,685	51,178	4,504,864
Inventory	66,227	-	-	-	-	66,227
Restricted cash	13,565	-	-	-	-	13,565
Prepaid items	196,389	22,581	-	-	17,409	236,379
Total assets	\$ 10,370,136	\$ 648,999	\$ -	\$ 9,481,635	\$ 1,348,894	\$ 21,849,664
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 107,570	\$ 6,654	\$ -	\$ 1,045,093	\$ 4,329	\$ 1,163,646
Accrued liabilities	1,066,619	138,569	-	4,569	50,336	1,260,093
Deferred revenue	2,330,135	88,364	-	801,738	5,512	3,225,749
Due to other governments	85,259	3,917	-	-	2,722	91,898
Due to other funds	280,096	653,640	-	1,669,367	51,638	2,654,741
Total liabilities	3,869,679	891,144	-	3,520,767	114,537	8,396,127
Fund balances:						
Nonspendable	262,616	22,581	-	-	17,409	302,606
Restricted	13,565	-	-	-	323,133	336,698
Assigned	-	-	-	5,960,868	900,258	6,861,126
Unassigned	6,224,276	(264,726)	-	-	(6,443)	5,953,107
Total fund balances	6,500,457	(242,145)	-	5,960,868	1,234,357	13,453,537
Total liabilities and fund balances	\$ 10,370,136	\$ 648,999	\$ -	\$ 9,481,635	\$ 1,348,894	\$ 21,849,664

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

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2011

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

Total governmental fund balances	\$ 13,453,537
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,438,685
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,120,649
Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds.	(22,994)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,770,543)</u>
Net assets of governmental activities	<u><u>\$ 22,219,334</u></u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	General Fund	Special Revenue Sanitation Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 6,465,856	\$ -	\$ -	\$ -	\$ -	\$ 6,465,856
Licenses and permits	285,502	-	-	-	-	285,502
Intergovernmental	2,040,362	-	-	-	305,059	2,345,421
Charges for services	631,682	812,481	-	-	241,816	1,685,979
Fines, forfeitures, and penalties	843,752	-	-	-	161,175	1,004,927
Federal, state and local grants	106,641	216,894	-	4,330,206	-	4,653,741
Interest on investments	26,537	942	-	77,438	2,369	107,286
Other	432,478	20,885	-	14	92,028	545,405
Total revenues	<u>10,832,810</u>	<u>1,051,202</u>	<u>-</u>	<u>4,407,658</u>	<u>802,447</u>	<u>17,094,117</u>
EXPENDITURES						
Current						
General government	1,971,869	-	-	-	-	1,971,869
Public safety	6,199,477	-	-	-	210,974	6,410,451
Community services	1,213,380	-	-	-	-	1,213,380
Transportation and environment	590,251	854,490	-	-	946,176	2,390,917
Capital improvements	-	-	-	5,910,728	566,161	6,476,889
Debt Service						
Principal	-	-	5,599,727	-	-	5,599,727
Interest and fiscal charges	-	-	193,018	-	-	193,018
Bond issuance costs	-	-	42,500	-	-	42,500
Total expenditures	<u>9,974,977</u>	<u>854,490</u>	<u>5,835,245</u>	<u>5,910,728</u>	<u>1,723,311</u>	<u>24,298,751</u>
Excess (deficiency) of revenues over (under) expenditures	857,833	196,712	(5,835,245)	(1,503,070)	(920,864)	(7,204,634)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	5,000,000	-	1,000,000	6,000,000
Transfers in	-	-	835,245	-	405,710	1,240,955
Transfers out	(1,009,178)	-	-	(231,777)	-	(1,240,955)
Total other financing sources and uses	<u>(1,009,178)</u>	<u>-</u>	<u>5,835,245</u>	<u>(231,777)</u>	<u>1,405,710</u>	<u>6,000,000</u>
Net change in fund balances	(151,345)	196,712	-	(1,734,847)	484,846	(1,204,634)
Fund balances, beginning	<u>6,651,802</u>	<u>(438,857)</u>	<u>-</u>	<u>7,695,715</u>	<u>749,511</u>	<u>14,658,171</u>
Fund balances - ending	<u>\$ 6,500,457</u>	<u>\$ (242,145)</u>	<u>\$ -</u>	<u>\$ 5,960,868</u>	<u>\$ 1,234,357</u>	<u>\$ 13,453,537</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

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

Net change in fund balance - total governmental funds	\$ (1,204,634)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and losses on retirement exceeded capital outlays in the current period.	4,636,547
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	184,927
Changes in interest payable on long-term debt	(22,994)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,391,592)</u>
Change in net assets of governmental funds	<u>\$ 2,202,254</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,529,273	\$ 6,529,273	\$ 6,465,856	\$ (63,417)
Licenses and permits	284,000	284,000	285,502	1,502
Intergovernmental	1,969,716	1,969,716	2,040,362	70,646
Charges for services	755,332	755,332	631,682	(123,650)
Fines, forfeitures, and penalties	700,000	747,777	843,752	95,975
Federal, state and local grants	20,000	20,000	106,641	86,641
Interest on investments	6,000	6,000	26,537	20,537
Other	148,315	148,315	432,478	284,163
Total revenues	10,412,636	10,460,413	10,832,810	372,397
EXPENDITURES				
General government	1,766,419	1,779,552	1,971,869	(192,317)
Public safety				
Police department	3,129,774	3,145,222	3,035,651	109,571
Fire department	3,061,967	3,075,504	3,163,826	(88,322)
Community services				
Recreation department	575,515	578,314	577,727	587
Baker community center and civic center	195,053	195,053	216,451	(21,398)
Sports authority	324,470	325,069	419,202	(94,133)
Transportation and environment	496,430	498,691	590,251	(91,560)
Total expenditures	9,549,628	9,597,405	9,974,977	(377,572)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	863,008	863,008	857,833	(5,175)
OTHER FINANCING SOURCES (USES)				
Transfers out	(863,008)	(863,008)	(1,009,178)	(146,170)
Net change in fund balances	\$ -	\$ -	(151,345)	\$ (151,345)
Fund balance - beginning			6,651,802	
Fund balance - ending			\$ 6,500,457	

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Commercial fees	\$ 213,401	\$ 218,285	\$ 200,011	\$ (18,274)
Residential fees	610,000	610,000	612,470	2,470
Federal, state and local grants	-	-	216,894	216,894
Interest on investments	1,600	1,600	942	(658)
Other	18,500	18,500	20,885	2,385
Total revenues	<u>843,501</u>	<u>848,385</u>	<u>1,051,202</u>	<u>202,817</u>
Expenditures:				
Salaries	457,413	462,297	466,920	(4,623)
Insurance	108,936	108,936	104,562	4,374
Payroll taxes	33,157	33,157	30,176	2,981
Retirement	50,926	50,926	50,712	214
Gas and oil	47,000	47,000	50,754	(3,754)
Sanitation disposal fees	67,000	67,000	43,822	23,178
Repairs and maintenance	62,819	62,819	78,552	(15,733)
Administrative and other	16,250	16,250	28,992	(12,742)
Total expenditures	<u>843,501</u>	<u>848,385</u>	<u>854,490</u>	<u>(6,105)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	196,712	<u>\$ 196,712</u>
Fund balance - beginning, as previously reported			<u>(438,857)</u>	
Fund balance - ending			<u>\$ (242,145)</u>	

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Current assets:			
Cash and cash equivalents	\$ 738,981	\$ 1,663,856	\$ 2,402,837
Receivables			
Customers	354,188	111,326	465,514
Interest	63	80	143
Other	7,838	9,098	16,936
Less allowance for doubtful accounts	(57,267)	(40,409)	(97,676)
Prepaid expenses	29,453	27,696	57,149
Due from other funds	-	183,621	183,621
Due from other governments	-	38,506	38,506
Total current assets	<u>1,073,256</u>	<u>1,993,774</u>	<u>3,067,030</u>
Noncurrent assets:			
Restricted cash	360	215	575
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,100,305	13,708,802	24,809,107
Furnishings and equipment	766,215	3,126,606	3,892,821
Vehicles	159,994	286,195	446,189
Construction in progress	-	28,025	28,025
Less accumulated depreciation	(4,699,280)	(9,422,760)	(14,122,040)
Total capital assets	<u>7,329,641</u>	<u>8,451,410</u>	<u>15,781,051</u>
Total noncurrent assets	<u>7,330,001</u>	<u>8,451,625</u>	<u>15,781,626</u>
Total assets	<u>8,403,257</u>	<u>10,445,399</u>	<u>18,848,656</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,379	5,939	9,318
Accrued expenses	91,764	81,340	173,104
Due to other funds	3,839,905	-	3,839,905
Due to other governments	2,787	3,634	6,421
Customer deposits	360	215	575
Total current liabilities	<u>3,938,195</u>	<u>91,128</u>	<u>4,029,323</u>
Noncurrent liabilities			
Net post employment benefit obligations	<u>108,000</u>	<u>189,558</u>	<u>297,558</u>
Total liabilities	<u>4,046,195</u>	<u>280,686</u>	<u>4,326,881</u>
NET ASSETS			
Invested in capital assets	7,329,641	8,451,410	15,781,051
Unrestricted	(2,972,579)	1,713,303	(1,259,276)
Total net assets	<u>\$ 4,357,062</u>	<u>\$ 10,164,713</u>	<u>\$ 14,521,775</u>

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

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 1,197,371	\$ -	\$ 1,197,371
Sewer service fee	-	1,369,290	1,369,290
Service connections fees	8,175	8,175	16,350
Forfeited discounts	24,840	16,216	41,056
Federal grants	47,630	-	47,630
Other	52,453	97,291	149,744
Total operating revenues	<u>1,330,469</u>	<u>1,490,972</u>	<u>2,821,441</u>
Operating expenses:			
Administrative and general	63,154	79,001	142,155
Pumping and filtering	540,948	759,788	1,300,736
Distribution system	281,435	229,602	511,037
Depreciation	296,737	441,653	738,390
Total operating expenses	<u>1,182,274</u>	<u>1,510,044</u>	<u>2,692,318</u>
Operating income (loss)	148,195	(19,072)	129,123
Nonoperating revenues (expenses):			
Interest income	2,705	3,104	5,809
Interest expense	(39,262)	-	(39,262)
Total non-operating revenues (expenses)	<u>(36,557)</u>	<u>3,104</u>	<u>(33,453)</u>
Income (loss) before contributions	111,638	(15,968)	95,670
Capital contributions - tap fees	3,950	1,000	4,950
Capital contributions - development fees	250	500	750
Total capital contributions	<u>4,200</u>	<u>1,500</u>	<u>5,700</u>
Change in net assets	115,838	(14,468)	101,370
Total net assets - beginning	<u>4,241,224</u>	<u>10,179,181</u>	<u>14,420,405</u>
Total net assets - ending	<u>\$ 4,357,062</u>	<u>\$ 10,164,713</u>	<u>\$ 14,521,775</u>

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,197,335	\$ 1,417,690	\$ 2,615,025
Payments to suppliers	(390,797)	(403,817)	(794,614)
Payments to employees	(430,748)	(565,451)	(996,199)
Other receipts	<u>102,870</u>	<u>100,925</u>	<u>203,795</u>
Net cash provided by operating activities	478,660	549,347	1,028,007
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from (payments to) other funds	(525,649)	361,394	(164,255)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	4,200	1,500	5,700
Acquisition and construction of capital assets	<u>(59,207)</u>	<u>(232,685)</u>	<u>(291,892)</u>
Net cash used by capital and related financing activities	(55,007)	(231,185)	(286,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>2,779</u>	<u>3,156</u>	<u>5,935</u>
Net increase (decrease) in cash and cash equivalents	(99,217)	682,712	583,495
Cash and cash equivalents - beginning of the year	<u>838,198</u>	<u>981,144</u>	<u>1,819,342</u>
Cash and cash equivalents - end of the year	<u><u>\$ 738,981</u></u>	<u><u>\$ 1,663,856</u></u>	<u><u>\$ 2,402,837</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 148,195	\$ (19,072)	\$ 129,123
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	296,737	441,653	738,390
Change in assets and liabilities			
Receivables			
Customers	(28,386)	(1,083)	(29,469)
Other	(4,665)	9,208	4,543
Prepaid expenses	12,880	(2,223)	10,657
Due from other governments	-	15,884	15,884
Accounts payable	(8,925)	(6,677)	(15,602)
Accrued expenses	6,037	13,244	19,281
Due to other governments	2,787	3,634	6,421
Net post employment benefit obligations	<u>54,000</u>	<u>94,779</u>	<u>148,779</u>
Net cash provided by operating activities	<u><u>\$ 478,660</u></u>	<u><u>\$ 549,347</u></u>	<u><u>\$ 1,028,007</u></u>

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

CITY OF MILLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following non-major governmental funds:

The State Street Aid Fund accounts for the receipts and expenditures of the City's share of the proceeds from the state gasoline tax.

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

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

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

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

The General Obligation Capital Outlay Notes, Series 2010 Project Fund (“CON Project Fund”) accounts for the financing of specific major governmental fund capital asset purchases.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

D - Assets, liabilities and fund equity

1. Deposits

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the

end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are levied in October of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on February 28. Penalties and interest are assessed on unpaid property taxes after the delinquent date.

3. Inventories and prepaid items

Inventories are valued at cost (first-in, first-out). Inventory in all funds consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain cash and cash equivalents of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and/or their use is limited by certain agreements and contracts with third parties. Restricted balances include escrow for construction contractors established to fund retainages of outstanding construction projects, customer deposits for water and sewer services and outstanding court bonds payable.

5. Capital assets

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

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

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

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

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

6. Compensated absences and overtime

Accumulated unpaid vacation is accrued when incurred in all funds. Employees earn ten or more days of vacation each year depending on length of service. Vacation leave is to be taken following the period in which it is earned and up to one year's vacation may be carried forward into the next year.

Upon retirement, unused sick leave will not be paid but will be credited toward service years in calculating pension benefits.

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

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

8. Fund balance

Governmental funds utilize a fund balance presentation for fund equity. Fund balance is categorized as non-spendable, restricted, assigned or unassigned. A description of each category is provided below.

Non-Spendable Fund Balance – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

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

Assigned Fund Balance – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen. This is a residual classification for all governmental funds other than the general fund.

Unassigned Fund Balance – represents the residual balance available for any purpose in the general fund or deficit balances in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 assigned amounts would be reduced first 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.

9. *Use of Estimates*

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$17,438,685 difference are as follows:

Governmental funds capital assets	\$ 23,985,174
Less: accumulated depreciation	<u>(6,546,489)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 17,438,685</u>

Another element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$9,770,543 difference are as follows:

Notes payable	\$ (7,144,981)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	42,358
Millington library exchange liability	(671,261)
Net post employment benefit obligation	<u>(1,996,659)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u>\$ (9,770,543)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the \$4,636,547 difference are as follows:

Capital outlay	\$ 5,303,539
Depreciation expense	(623,209)
Loss on disposal of capital assets	<u>(43,783)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 4,636,547</u>

Another element of that reconciliation states that "long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds" The details of the \$1,391,592 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay note	\$ (6,000,000)
Bond issuance costs	42,500
Amortization of bond issuance costs	(12,098)
Principal repayment on bonds payable	5,599,727
Increase in net post employment benefit obligation	<u>(1,021,721)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (1,391,592)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the following governmental funds:

	<u>Amount</u>
General Fund	\$ (377,572)
Sanitation	\$ (6,105)
Debt Service	\$ (30,307)
State Street Aid	\$ (37,986)
Gas Inspection Fee	\$ (8,225)
DEA Fund	\$ (17,942)

C. Budgetary basis of accounting

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

D. Deficit fund equity

As of June 30, 2011, the sanitation fund had a deficit fund balance of \$242,145.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City’s carrying amount of deposits was \$10,633,405 and the bank balance was \$10,774,851. Of the bank balance, \$772,181 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$10,002,670 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution’s trust department or agent in the City’s name.

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

B. Receivables

Receivables as of year-end for the City’s individual major funds and non-major funds in the aggregate, including the applicable allowances for the uncollectible accounts, are as follows:

	General Fund	Sanitation Fund	Capital Projects	Water Fund	Sewer Fund	Non-major Funds	Total
Receivables:							
Taxes	\$ 2,440,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,440,004
Interest	720	28	2	63	80	62	955
Accounts receivable	-	101,520	-	354,188	111,326	-	567,034
Other	195,785	-	14,198	7,838	9,098	2,850	229,769
Gross receivables	2,636,509	101,548	14,200	362,089	120,504	2,912	3,237,762
Less: allowance for doubtful accounts	(173,147)	(71,423)	-	(57,267)	(40,409)	(9,423)	(351,669)
Net total receivables	<u>\$ 2,463,362</u>	<u>\$ 30,125</u>	<u>\$14,200</u>	<u>\$ 304,822</u>	<u>\$ 80,095</u>	<u>\$ (6,511)</u>	<u>\$ 2,886,093</u>

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 a increase in reported revenues of \$31,339.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue of \$2,188,739 for property taxes receivable, \$256,164 for insurance proceeds and FEMA reimbursements from flood damage, and \$780,846 for grants was reported in governmental funds.

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2011 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,627,283	\$ -	\$ -	\$ 5,627,283
Construction in progress	974,657	4,641,469	(858,617)	4,757,509
Total capital assets, not being depreciated	<u>6,601,940</u>	<u>4,641,469</u>	<u>(858,617)</u>	<u>10,384,792</u>
Capital assets, being depreciated:				
Buildings and improvements	7,541,737	904,067	-	8,445,804
Furnishings and equipment	931,172	162,543	-	1,093,715
Vehicles	3,860,472	454,077	(253,686)	4,060,863
Total capital assets, being depreciated	<u>12,333,381</u>	<u>1,520,687</u>	<u>(253,686)</u>	<u>13,600,382</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,072,287)	(245,324)	-	(3,317,611)
Furnishings and equipment	(678,580)	(55,883)	-	(734,463)
Vehicles	(2,382,316)	(322,002)	209,903	(2,494,415)
Total accumulated depreciation	<u>(6,133,183)</u>	<u>(623,209)</u>	<u>209,903</u>	<u>(6,546,489)</u>
Total capital assets, being depreciated, net	<u>6,200,198</u>	<u>897,478</u>	<u>(43,783)</u>	<u>7,053,893</u>
Governmental activities capital assets, net	<u>\$ 12,802,138</u>	<u>\$ 5,538,947</u>	<u>\$ (902,400)</u>	<u>\$ 17,438,685</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	-	28,025		28,025
Total capital assets, not being depreciated	<u>726,949</u>	<u>28,025</u>	<u>-</u>	<u>754,974</u>
Capital assets, being depreciated:				
Buildings and improvements	24,638,508	170,599	-	24,809,107
Furnishings and equipment	3,801,203	93,268	(1,650)	3,892,821
Vehicles	446,189	-	-	446,189
Total capital assets, being depreciated	<u>28,885,900</u>	<u>263,867</u>	<u>(1,650)</u>	<u>29,148,117</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,953,496)	(583,922)	-	(10,537,418)
Furnishings and equipment	(3,042,474)	(130,247)	-	(3,172,721)
Vehicles	(389,330)	(24,221)	1,650	(411,901)
Total accumulated depreciation	<u>(13,385,300)</u>	<u>(738,390)</u>	<u>1,650</u>	<u>(14,122,040)</u>
Total capital assets, being depreciated, net	<u>15,500,600</u>	<u>(474,523)</u>	<u>-</u>	<u>15,026,077</u>
Business-type activity capital assets, net	<u>\$ 16,227,549</u>	<u>\$ (446,498)</u>	<u>\$ -</u>	<u>\$ 15,781,051</u>

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

Governmental Activities:

General government	\$ 45,951
Public safety	261,010
Community services	103,369
Transportation and environment	212,879
Total depreciation expense - governmental activities	<u>\$ 623,209</u>

Business-Type Activities:

Water	\$ 296,737
Sewer	441,653
Total depreciation expense - business-type activities	<u>\$ 738,390</u>

During the fiscal year 2010, the City entered into an exchange transaction with Millington Telephone Company in which the City gave Millington East Elementary and a promise to give the Millington Library land and building within the next ten years in exchange for the USA Baseball Stadium. The Library land and building and the corresponding payable is recorded in the governmental activities.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 38,038
	Water	504
	Sanitation	653,640
	Capital improvements	1,667,706
		<u>\$ 2,359,888</u>
Sanitation	Water	<u>\$ 6,020</u>
Capital improvements	Water	<u>\$ 3,717,492</u>
Nonmajor governmental	General	195,229
	Water	17,135
	Capital improvements	1,661
	Nonmajor governmental	13,600
		<u>\$ 227,625</u>
Sewer	General	\$ 84,867
	Water	98,754
		<u>\$ 183,621</u>

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

Interfund transfers:

	<u>Transfer in:</u>		<u>Total</u>
	<u>Debt Service Fund</u>	<u>Nonmajor Governmental - State Street Aid</u>	
Transfer out:			
General fund	\$ 603,468	\$ 405,710	\$ 1,009,178
Capital projects	231,777		231,777
	<u>\$ 835,245</u>	<u>\$ 405,710</u>	<u>\$ 1,240,955</u>

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

E. Long Term Debt

General obligation loans payable

In fiscal 1997, the City entered into a 15 year loan agreement to borrow \$3,500,000 from the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (the "League"). The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. The average interest rate on this loan for 2011 was .58%.

In November 2000, the City entered into a 15 year loan agreement to borrow \$1,800,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. The average interest rate on this loan for 2011 was .45%.

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%.

Other Long-term Liabilities

In March 2000, the City entered into a 15 year agreement with the YMCA. The agreement calls for the City to pay \$150,000 per year for 15 years and obligated the YMCA to build a complex in the City for the use of City residents. An incremental borrowing rate of 4% has been imputed on the balance.

In 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%.

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 6,744,708	\$ 6,000,000	\$ (5,599,727)	\$ 7,144,981	\$ 425,411
Less deferred amounts:					
For issuance costs	(11,956)	(42,500)	12,098	(42,358)	-
Total notes payable	6,732,752	5,957,500	(5,587,629)	7,102,623	425,411
Net post employment benefit obligation	974,938	1,021,721	-	1,996,659	-
Millington library exchange liability	671,261	-	-	671,261	-
Total long-term liabilities	<u>\$ 8,378,951</u>	<u>\$ 6,979,221</u>	<u>\$ (5,587,629)</u>	<u>\$ 9,770,543</u>	<u>\$ 425,411</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Net post employment benefit obligation	\$ 148,779	\$ 148,779	\$ -	\$ 297,558	\$ -

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

Years Ending June 30	Principal	Interest	Total
2012	\$ 425,411	\$ 222,964	\$ 648,375
2013	446,805	211,284	658,089
2014	469,420	199,050	668,470
2015	425,345	186,638	611,983
2016	288,000	178,240	466,240
Thereafter	5,090,000	1,721,281	6,811,281
	<u>\$ 7,144,981</u>	<u>\$ 2,719,457</u>	<u>\$ 9,864,438</u>

F. FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	Special Revenue Sanitation Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	\$ 66,227	\$ -	\$ -	\$ -	\$ 66,227
Prepaid expenses	196,389	22,581	-	17,409	236,379
Total nonspendable	<u>262,616</u>	<u>22,581</u>	<u>-</u>	<u>17,409</u>	<u>302,606</u>
Restricted for:					
Court bonds	13,565	-	-	-	13,565
State gas fees and taxes	-	-	-	149,890	149,890
Drug enforcement	-	-	-	173,243	173,243
Total restricted	<u>13,565</u>	<u>-</u>	<u>-</u>	<u>323,133</u>	<u>336,698</u>
Assigned to:					
Capital improvements	-	-	5,960,868	433,839	6,394,707
Drainage control	-	-	-	466,419	466,419
Total assigned	<u>-</u>	<u>-</u>	<u>5,960,868</u>	<u>900,258</u>	<u>6,861,126</u>
Unassigned	<u>6,224,276</u>	<u>(264,726)</u>	<u>-</u>	<u>(6,443)</u>	<u>5,953,107</u>
Total fund balances	<u>\$ 6,500,457</u>	<u>\$ (242,145)</u>	<u>\$ 5,960,868</u>	<u>\$ 1,234,357</u>	<u>\$ 13,453,537</u>

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

NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

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

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

B. Funding Policy

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

Millington is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 11.75% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Millington is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2011, Millington's annual pension cost of \$767,536 to TCRS was equal to Millington's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Millington's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining

amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

D. Trend Information

Fiscal Year Ending	Trend Information		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 767,536	100%	\$ -
June 30, 2010	\$ 765,652	100%	\$ -
June 30, 2009	\$ 778,205	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 89.02% funded. The actuarial accrued liability for benefits was \$17.2 million, and the actuarial value of assets was \$15.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.2 million, and the ratio of the UAAL to the covered payroll was 30.37%.

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

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

Required Supplementary Information Schedule of Funding Progress for Millington

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

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

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has contracted with the Shelby County Trustee to collect real and personal property taxes on behalf of the City. A 2.5% commission is paid to the Trustee plus 90% of the salary, fringe benefits, and authorized expenses of one full time employee of the Trustee. This employee works in City Hall and provides other receipting and administrative functions for the City. Collection fees paid to the Trustee totaled \$98,507 for the year ended June 30, 2011.

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

Under the terms of service agreements with the Naval Support Activity - Millington and Shelby County, the City provides service from the sewer treatment plant at a cost of \$2.25 per thousand gallons.

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

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

The City is a common paymaster for the Millington Municipal Airport Authority and Millington Industrial Development Board. This arrangement allows these employees to participate in all City employee benefits such as retirement, health insurance, life insurance, and worker's compensation insurance. The City is reimbursed for all disbursements by the respective entities.

NOTE 7 - RISK MANAGEMENT

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

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

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

A. Plan Description

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

B. Funding Policy

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provision of GASB Statement 45 for employers in plans with more than 100 hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years. For fiscal year 2011, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$109,229 for 2011. These costs are recognized as an expense when claims or premiums are paid.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,240,464
Interest on net OPEB obligation	39,265
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,279,729</u>
Contributions or payments made	<u>(109,229)</u>
Increase in net OPEB obligation	1,170,500
Net OPEB obligation, beginning of year	1,123,717
Net OPEB obligation, end of year	<u><u>\$ 2,294,217</u></u>
Percentage of expense contributed	<u><u>8.54%</u></u>

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities and it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

NOTE 9 – DEFERRED COMPENSATION PLAN

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

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the City obtained a \$2,827,400 Project loan. The purpose of this loan is for the construction of a wastewater facilities project.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 2,397,338	\$ 2,397,338	\$ 2,295,622	\$ (101,716)
Beer tax	408,000	408,000	452,341	44,341
Business and personalty tax	419,135	419,135	491,030	71,895
Local sales tax	3,150,000	3,150,000	3,080,542	(69,458)
Hotel/Motel tax	110,000	110,000	95,484	(14,516)
Interest and penalties	19,800	19,800	27,044	7,244
CATV franchise tax	25,000	25,000	23,793	(1,207)
Total taxes	6,529,273	6,529,273	6,465,856	(63,417)
LICENSES AND PERMITS				
Automobile stickers	186,000	186,000	168,709	(17,291)
Building and related permits	25,000	25,000	46,392	21,392
Planning and subdivision fees	4,300	4,300	2,975	(1,325)
Beer application and solicitors	3,200	3,200	2,559	(641)
Clerk fees	3,000	3,000	50	(2,950)
Liquor permits	3,500	3,500	4,650	1,150
Liquor inspection fee	59,000	59,000	60,167	1,167
Total licenses and permits	284,000	284,000	285,502	1,502
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales tax	631,000	631,000	690,387	59,387
Beer tax	5,400	5,400	5,443	43
Income tax	29,000	29,000	26,451	(2,549)
Excise tax	17,580	17,580	11,858	(5,722)
Mixed drinks tax	24,500	24,500	27,868	3,368
Telecommunications sales tax	1,200	1,200	674	(526)
Receipts in lieu of tax - TVA	100,000	100,000	117,411	17,411
Receipts in lieu of tax -				
Millington Housing Authority	20,467	20,467	17,362	(3,105)
Receipts in lieu of tax - MLGW	94,000	94,000	94,053	53
Shelby County - Fire	1,033,869	1,033,869	1,025,118	(8,751)
Shelby County - "911"	12,700	12,700	23,737	11,037
Total intergovernmental	1,969,716	1,969,716	2,040,362	70,646

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority fire protection	400,132	400,132	328,305	(71,827)
Recreation	355,200	355,200	303,377	(51,823)
Total charges for services	<u>755,332</u>	<u>755,332</u>	<u>631,682</u>	<u>(123,650)</u>
FINES FORFEITURES AND PENALTIES				
City court fines	700,000	747,777	843,752	95,975
FEDERAL, STATE AND LOCAL GRANTS	20,000	20,000	106,641	86,641
INTEREST ON INVESTMENTS	6,000	6,000	26,537	20,537
OTHER	148,315	148,315	432,478	284,163
TOTAL GENERAL FUND REVENUES	<u><u>\$ 10,412,636</u></u>	<u><u>\$ 10,460,413</u></u>	<u><u>\$ 10,832,810</u></u>	<u><u>\$ 372,397</u></u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General and Administrative Salaries				
Office personnel	\$ 276,513	\$ 289,646	\$ 333,960	\$ (44,314)
Officials	145,900	145,900	114,490	31,410
City judge	38,400	38,400	38,400	-
City prosecutor	16,000	16,000	15,996	4
Court personnel	121,290	121,290	122,472	(1,182)
Building inspector and code enforcement	142,566	142,566	214,284	(71,718)
Advertising	3,000	3,000	716	2,284
Air conditioning	6,000	6,000	7,764	(1,764)
Chamber of Commerce	18,000	18,000	18,000	-
Contract labor	22,000	22,000	34,604	(12,604)
Engineering	1,000	1,000	4,622	(3,622)
Inspection	2,000	2,000	-	2,000
Insurance	131,836	131,836	126,103	5,733
Legal and professional	167,080	167,080	214,058	(46,978)
Library	286,324	286,324	288,946	(2,622)
Maintenance	44,000	44,000	24,532	19,468
Membership	8,800	8,800	8,745	55
Office supplies	11,600	11,600	15,758	(4,158)
Payroll taxes	64,437	64,437	65,444	(1,007)
Physical and medical	1,200	1,200	1,153	47
Public relations	11,500	11,500	14,518	(3,018)
Publications and flags	3,900	3,900	4,369	(469)
Repairs and maintenance	18,800	18,800	42,915	(24,115)
Retirement	95,973	95,973	100,936	(4,963)
Supplies	27,000	27,000	33,724	(6,724)
Telephone	25,400	25,400	30,374	(4,974)
Travel and training	15,200	15,200	20,322	(5,122)
Utilities	35,600	35,600	29,212	6,388
Administrative and other	25,100	25,100	27,561	(2,461)
Capital outlay - equipment purchases	-	-	17,891	(17,891)
Total general government	1,766,419	1,779,552	1,971,869	(192,317)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 1,989,216	\$ 2,004,664	\$ 1,923,498	\$ 81,166
Payroll taxes	167,175	167,175	154,702	12,473
Insurance	377,224	377,224	342,999	34,225
Retirement	229,609	229,609	216,472	13,137
Telephone and utilities	56,000	56,000	48,496	7,504
Education and training	10,000	10,000	9,317	683
Medical	5,000	5,000	9,503	(4,503)
Repairs and maintenance	152,000	152,000	132,321	19,679
Supplies and other	27,550	27,550	54,375	(26,825)
Gas and oil	80,000	80,000	103,990	(23,990)
Uniforms	25,000	25,000	26,871	(1,871)
Jail expense	11,000	11,000	12,951	(1,951)
Capital outlay - equipment purchases	-	-	156	(156)
Total police department	<u>3,129,774</u>	<u>3,145,222</u>	<u>3,035,651</u>	<u>109,571</u>
Fire Department				
Salaries and wages	1,696,610	1,710,147	1,760,800	(50,653)
Payroll taxes	132,791	132,791	123,009	9,782
Insurance	337,477	337,477	329,427	8,050
Retirement	192,889	192,889	191,236	1,653
Ambulance service	390,000	390,000	409,740	(19,740)
Telephone and utilities	64,000	64,000	67,466	(3,466)
Education and training	17,000	17,000	27,126	(10,126)
Medical	4,500	4,500	3,863	637
Repairs and maintenance	116,000	116,000	148,337	(32,337)
Supplies and other	57,700	57,700	44,508	13,192
Gas and oil	30,000	30,000	34,225	(4,225)
Uniforms	16,000	16,000	17,202	(1,202)
Volunteer	4,000	4,000	3,700	300
Fire hose	3,000	3,000	3,187	(187)
Total fire department	<u>3,061,967</u>	<u>3,075,504</u>	<u>3,163,826</u>	<u>(88,322)</u>
Total public safety	6,191,741	6,220,726	6,199,477	21,249

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Recreation Department				
Operating Expenditures				
Salaries and wages	321,620	324,419	315,533	8,886
Payroll taxes	51,130	51,130	38,880	12,250
Insurance	61,126	61,126	53,345	7,781
Retirement	29,910	29,910	28,230	1,680
Telephone	6,600	6,600	8,324	(1,724)
Education and training	-	-	80	(80)
Utilities	22,000	22,000	23,163	(1,163)
Supplies and other	16,650	16,650	24,802	(8,152)
Medical	430	430	913	(483)
Repairs and maintenance	31,750	31,750	46,554	(14,804)
Playground supplies	10,500	10,500	10,714	(214)
Gas and oil	10,850	10,850	14,304	(3,454)
Uniforms	9,900	9,900	10,212	(312)
Trophies	3,049	3,049	2,673	376
Total recreation department	575,515	578,314	577,727	587
Baker Community Center and Civic Center				
Operating Expenditures				
Salaries and wages	29,000	29,000	30,073	(1,073)
Payroll taxes	2,218	2,218	2,668	(450)
Insurance	10,085	10,085	12,306	(2,221)
Repairs and maintenance	15,500	15,500	30,476	(14,976)
Supplies	14,000	14,000	16,833	(2,833)
Utilities	110,000	110,000	110,070	(70)
Special Events	14,250	14,250	14,025	225
Total Baker Community Center and Civic Center	195,053	195,053	216,451	(21,398)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Sports Authority				
Operating Expenditures				
Salaries and wages	139,336	139,935	159,386	(19,451)
Payroll taxes	8,267	8,267	7,996	271
Insurance	29,644	29,644	16,700	12,944
Retirement	5,755	5,755	6,780	(1,025)
Advertising	4,000	4,000	820	3,180
Repairs and maintenance	42,400	42,400	86,016	(43,616)
Supplies	28,300	28,300	64,313	(36,013)
Education and training	4,600	4,600	2,653	1,947
Public relations	20,000	20,000	17,085	2,915
Telephone	168	168	956	(788)
Utilities	42,000	42,000	56,497	(14,497)
Total sports authority	<u>324,470</u>	<u>325,069</u>	<u>419,202</u>	<u>(94,133)</u>
 Total community services	 1,095,038	 1,098,436	 1,213,380	 (114,944)
 TRANSPORTATION AND ENVIRONMENT				
Public Works Department				
Operating expenditures				
Salaries and wages	298,443	300,704	300,494	210
Payroll taxes	22,830	22,830	21,405	1,425
Insurance	55,390	55,390	56,708	(1,318)
Repairs and maintenance	17,500	17,500	59,393	(41,893)
Retirement	35,067	35,067	34,247	820
Gas and oil	7,000	7,000	20,873	(13,873)
Medical	900	900	426	474
Office supplies	6,000	6,000	9,586	(3,586)
Supplies	10,300	10,300	50,176	(39,876)
Telephone	8,500	8,500	12,232	(3,732)
Training and travel	1,000	1,000	1,274	(274)
Uniforms	4,500	4,500	4,095	405
Utilities	18,000	18,000	16,150	1,850
Animal control	11,000	11,000	1,142	9,858
Capital outlay - equipment purchase	-	-	2,050	(2,050)
Total public works department	<u>496,430</u>	<u>498,691</u>	<u>590,251</u>	<u>(91,560)</u>
 TOTAL GENERAL FUND EXPENDITURES	 <u><u>\$ 9,549,628</u></u>	 <u><u>\$ 9,597,405</u></u>	 <u><u>\$ 9,974,977</u></u>	 <u><u>\$ (377,572)</u></u>

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Expenditures:				
Principal retirement	\$ 5,589,980	\$ 5,589,980	\$ 5,599,727	\$ (9,747)
Agents fees	25,000	25,000	3,154	21,846
Interest expense	189,958	189,958	189,864	94
Bond issuance cost	-	-	42,500	(42,500)
Total expenditures	<u>5,804,938</u>	<u>5,804,938</u>	<u>5,835,245</u>	<u>(30,307)</u>
Other Financing Sources:				
Issuance of debt	-	-	5,000,000	5,000,000
Transfers in	<u>5,804,938</u>	<u>5,804,938</u>	<u>835,245</u>	<u>(4,969,693)</u>
Total other financing sources	<u>5,804,938</u>	<u>5,804,938</u>	<u>5,835,245</u>	<u>30,307</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Federal, state and local grants	\$ 11,722,874	\$ 11,722,874	\$ 4,330,206	\$(7,392,668)
Interest on investments	105,262	105,262	77,438	(27,824)
Other	-	-	14	14
Total revenues	<u>11,828,136</u>	<u>11,828,136</u>	<u>4,407,658</u>	<u>(7,420,478)</u>
Expenditures:				
Capital improvements	<u>14,399,374</u>	<u>14,399,374</u>	<u>5,910,728</u>	<u>8,488,646</u>
Excess (deficiency) of revenues over expenditures	(2,571,238)	(2,571,238)	(1,503,070)	1,068,168
Other financing sources (uses):				
Issuance of debt	5,000,000	5,000,000	-	(5,000,000)
Transfer in	188,663	188,663	-	(188,663)
Transfers out	<u>(5,313,930)</u>	<u>(5,313,930)</u>	<u>(231,777)</u>	<u>5,082,153</u>
Total other financing sources (uses)	<u>(125,267)</u>	<u>(125,267)</u>	<u>(231,777)</u>	<u>(106,510)</u>
Net change in fund balance	<u>\$ (2,696,505)</u>	<u>\$ (2,696,505)</u>	<u>(1,734,847)</u>	<u>\$ 961,658</u>
Fund balance - beginning			<u>7,695,715</u>	
Fund balance - ending			<u>\$ 5,960,868</u>	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds					CON Project Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
ASSETS							
Cash and cash equivalents	\$ 11,449	\$ -	\$ 107,409	\$ 74,303	\$ 432,193	\$ 433,839	\$ 1,059,193
Receivables, net							
Interest	-	-	-	1	61	-	62
Other	2,850	-	-	-	-	-	2,850
Less allowance	-	-	-	-	(9,423)	-	(9,423)
Due from other funds	15,261	149,890	-	-	62,474	-	227,625
Due from other governments	48,756	-	-	-	2,422	-	51,178
Prepays and other assets	16,701	-	-	-	708	-	17,409
Total assets	\$ 95,017	\$ 149,890	\$ 107,409	\$ 74,304	\$ 488,435	\$ 433,839	\$ 1,348,894
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,485	\$ -	\$ 12	\$ 979	\$ 853	\$ -	\$ 4,329
Accrued payroll and vacation	46,183	-	-	-	4,153	-	50,336
Deferred revenue	3,090	-	-	-	2,422	-	5,512
Due to other funds	30,559	-	-	7,479	13,600	-	51,638
Due to other governments	2,442	-	-	-	280	-	2,722
Total liabilities	84,759	-	12	8,458	21,308	-	114,537
Fund balances:							
Nonspendable	16,701	-	-	-	708	-	17,409
Restricted		149,890	107,397	65,846			323,133
Assigned					466,419	433,839	900,258
Unassigned	(6,443)						(6,443)
Total fund balances	10,258	149,890	107,397	65,846	467,127	433,839	1,234,357
Total liabilities and fund balances	\$ 95,017	\$ 149,890	\$ 107,409	\$ 74,304	\$ 488,435	\$ 433,839	\$ 1,348,894

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Special Revenue Funds					CON Project Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
REVENUES							
State gasoline tax (local share)	\$ 282,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,792
Gasoline inspection fee (local share)	-	22,267	-	-	-	-	22,267
Federal grant	-	-	-	-	-	-	-
Fees	-	-	-	-	241,816	-	241,816
Interest on investments	34	-	76	135	2,124	-	2,369
Fines and confiscations	-	-	82,339	-	-	-	82,339
DEA federal shared proceeds	-	-	-	78,836	-	-	78,836
Other	9,327	-	14,650	19,632	48,419	-	92,028
Total revenues	<u>292,153</u>	<u>22,267</u>	<u>97,065</u>	<u>98,603</u>	<u>292,359</u>	-	<u>802,447</u>
EXPENDITURES							
Public Safety							
Drug abuse	-	-	61,138	-	-	-	61,138
DEA Drug	-	-	-	44,686	-	-	44,686
Transportation and Environment							
Street department	688,367	31,025	-	-	210,858	-	930,250
Street improvements	1,526	-	-	-	-	-	1,526
Capital outlays	-	-	-	105,150	14,400	566,161	685,711
Total expenditures	<u>689,893</u>	<u>31,025</u>	<u>61,138</u>	<u>149,836</u>	<u>225,258</u>	<u>566,161</u>	<u>1,723,311</u>
Excess (deficiency) of revenues over expenditures	(397,740)	(8,758)	35,927	(51,233)	67,101	(566,161)	(920,864)
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	-	-	-	1,000,000	1,000,000
Transfers in	405,710	-	-	-	-	-	405,710
Net change in fund balances	7,970	(8,758)	35,927	(51,233)	67,101	433,839	484,846
Fund balances - beginning	2,288	158,648	71,470	117,079	400,026	-	749,511
Fund balances - ending	<u>\$ 10,258</u>	<u>\$ 149,890</u>	<u>\$ 107,397</u>	<u>\$ 65,846</u>	<u>\$ 467,127</u>	<u>\$ 433,839</u>	<u>\$ 1,234,357</u>

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 277,000	\$ 279,907	\$ 282,792	\$ 2,885
Interest on investments	-	-	34	34
Other	-	-	9,327	9,327
Total revenues	<u>277,000</u>	<u>279,907</u>	<u>292,153</u>	<u>12,246</u>
Expenditures:				
Street Department				
Salaries	240,050	242,957	248,796	(5,839)
Insurance	118,906	118,906	101,496	17,410
Payroll taxes	21,316	21,316	18,877	2,439
Repairs and maintenance	24,674	24,674	59,993	(35,319)
Retirement	32,154	32,154	31,711	443
Street lights	165,000	165,000	177,152	(12,152)
Supplies	36,000	36,000	40,162	(4,162)
Uniforms	4,000	4,000	5,268	(1,268)
Other	1,900	1,900	4,912	(3,012)
Street improvements	-	-	1,526	(1,526)
Capital outlays	5,000	5,000	-	5,000
Total expenditures	<u>649,000</u>	<u>651,907</u>	<u>689,893</u>	<u>(37,986)</u>
Excess (deficiency) of revenues over expenditures	(372,000)	(372,000)	(397,740)	(25,740)
Other financing sources (uses):				
Transfers in	<u>372,000</u>	<u>372,000</u>	<u>405,710</u>	<u>33,710</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>7,970</u>	<u>\$ 7,970</u>
Fund balance - beginning			<u>2,288</u>	
Fund balance - ending			<u>\$ 10,258</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GAS INSPECTION FEE FUND				
Revenues:				
Gasoline inspection fee (local share)	\$ 22,800	\$ 22,800	\$ 22,267	\$ (533)
Expenditures:				
Street Department				
Repairs and maintenance	<u>22,800</u>	<u>22,800</u>	<u>31,025</u>	<u>(8,225)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	(8,758)	<u><u>\$ (8,758)</u></u>
Fund balance - beginning			<u>158,648</u>	
Fund balance - ending			<u><u>\$ 149,890</u></u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines and confiscations	\$ 15,000	\$ 15,000	\$ 82,339	\$ 67,339
Interest on investments	500	500	76	(424)
Other	5,000	5,000	14,650	9,650
Total revenues	<u>20,500</u>	<u>20,500</u>	<u>97,065</u>	<u>76,565</u>
Expenditures:				
Educational materials	6,000	6,000	8,195	(2,195)
Supplies and other	61,907	61,907	52,943	8,964
Total expenditures	<u>67,907</u>	<u>67,907</u>	<u>61,138</u>	<u>6,769</u>
Excess (deficiency) of revenues over expenditures	<u>(47,407)</u>	<u>(47,407)</u>	<u>35,927</u>	<u>83,334</u>
Net change in fund balance	<u>\$ (47,407)</u>	<u>\$ (47,407)</u>	<u>35,927</u>	<u>\$ 83,334</u>
Fund balance - beginning			<u>71,470</u>	
Fund balance - ending			<u>\$ 107,397</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
Revenues:				
DEA shared proceeds	\$ 18,000	\$ 18,000	\$ 78,836	\$ 60,836
Interest on investments	500	500	135	(365)
Other	-	-	19,632	19,632
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>98,603</u>	<u>80,103</u>
Expenditures:				
DEA overtime expenses	17,000	17,000	-	17,000
Supplies and other	23,500	23,500	44,686	(21,186)
Capital outlays	<u>33,000</u>	<u>91,394</u>	<u>105,150</u>	<u>(13,756)</u>
Total expenditures	<u>73,500</u>	<u>131,894</u>	<u>149,836</u>	<u>(17,942)</u>
Net change in fund balance	<u>\$ (55,000)</u>	<u>\$ (113,394)</u>	(51,233)	<u>\$ 62,161</u>
Fund balance - beginning			<u>117,079</u>	
Fund balance - ending			<u>\$ 65,846</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
Revenues:				
Commercial fees	\$ 160,000	\$ 160,000	\$ 162,554	\$ 2,554
Residential fees	80,000	80,000	79,262	(738)
Interest on investments	5,700	5,700	2,124	(3,576)
Other	-	-	48,419	48,419
Total revenues	<u>245,700</u>	<u>245,700</u>	<u>292,359</u>	<u>46,659</u>
Expenditures:				
Salaries	159,999	159,999	89,695	70,304
Insurance	13,680	13,680	3,360	10,320
Payroll taxes	7,451	7,451	2,596	4,855
Retirement	11,445	11,445	3,793	7,652
Repairs and maintenance	18,000	18,000	94,849	(76,849)
Supplies	5,000	5,000	4,386	614
Administrative and other	13,125	13,125	12,179	946
Capital outlay	17,000	17,000	14,400	2,600
Total expenditures	<u>245,700</u>	<u>245,700</u>	<u>225,258</u>	<u>20,442</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	67,101	<u>\$ 67,101</u>
Fund balance - beginning			<u>400,026</u>	
Fund balance - ending			<u>\$ 467,127</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CON Project Fund				
Revenues:				
Other	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital improvements	-	1,000,000	566,161	433,839
Excess (deficiency) of revenues over expenditures	-	(1,000,000)	(566,161)	433,839
Other financing sources (uses):				
Issuance of debt	-	1,000,000	1,000,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	433,839	<u>\$ 433,839</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ 433,839</u>	

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2011

CFDA Number	Pass-through Entity Identifying Number	Grantor Agency	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
FEDERAL AWARDS						
14.218		<u>U.S. Department of Housing and Urban Development</u> Community Development Block grant Shelby County Department of Housing Pass-Through	\$ -	\$ 69,091	\$ 105,741	\$ 36,650
20.205	090086	<u>U.S. Department of Transportation</u> Highway Planning and Construction American Reinvestment Recovery Act (ARRA) Passed thru State of Tennessee	14,480	945,372	1,183,249	252,357
20.205	090124	ARRA	28,520	137,121	552,237	443,636
20.205	090009		75,026	125,381	1,090,856	1,040,501
20.205	090010		227,892	728,002	1,933,962	1,433,852
		Total Program 20.205	<u>345,918</u>	<u>2,004,967</u>	<u>4,760,304</u>	<u>3,206,996</u>
81.128	4106	<u>U.S. Department of Energy</u> Energy Efficiency and Conservation Block Grant	-	-	28,025	28,025
97.036	FEMA-1909-DR-TN	<u>U.S. Department of Homeland Security</u> Public Assistance Grant FEMA	465,808	461,572	284,956	289,192
97.008		<u>U.S. Department of Justice</u> UASI - Shelby County Homeland Security Pass-Through	-	24,656	24,656	-
		Total Federal Awards	<u>811,726</u>	<u>2,491,195</u>	<u>5,203,682</u>	<u>3,524,213</u>
STATE AWARDS						
		TN Emergency Management Agency Grant	-	-	30,160	30,160
		Total Federal and State Awards	<u>\$ 811,726</u>	<u>\$ 2,491,195</u>	<u>\$ 5,233,842</u>	<u>\$ 3,554,373</u>

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF MILLINGTON, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal grant activity of the City of Millington, Tennessee under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Millington, Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Millington, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICERS

For the Year Ended June 30, 2011

	<u>Annual Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>
Mayor	\$ 76,447	\$ 100,000	TML Risk Management
City Clerk	45,000	100,000	TML Risk Management
City Court Clerk	32,993	100,000	TML Risk Management
Police Chief	64,072	100,000	TML Risk Management
Fire Chief	64,072	100,000	TML Risk Management

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2011

<u>Insurance Company</u>	<u>Property Covered</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Expires</u>
TML Risk Management	7930 Nelson	Property	\$ 1,634,425	2/13/2012
TML Risk Management	8077 Wilkinsville Road	Property	\$ 7,186,275	2/13/2012
TML Risk Management	7942 Church Street	Property	\$ 1,429,375	2/13/2012
TML Risk Management	4836 Navy Road	Property	\$ 1,858,625	2/13/2012
TML Risk Management	6457 Navy Road	Property	\$ 364,775	2/13/2012
TML Risk Management	7265 Raleigh-Millington Road	Property	\$ 610,775	2/13/2012
TML Risk Management	4858 Navy Road	Property	\$ 3,375,450	2/13/2012
TML Risk Management	4701 Biloxi	Property	\$ 1,378,034	2/13/2012
TML Risk Management	7950 Memphis Rd	Property	\$ 4,584,825	2/13/2012
TML Risk Management	5140 Easley St	Property	\$ 64,200	2/13/2012
TML Risk Management		Sewer Plant	\$ 14,823,050	2/13/2012
		Water Plant - South	\$ 5,882,475	2/13/2012
		Water Tank	\$ 1,919,825	2/13/2012
		Water Treatment Plant	\$ 6,685,050	2/13/2012
TML Risk Management		General liability	\$ 1,000,000	
		Auto liability	1,000,000	
		Errors and omissions (public officials)	1,000,000	
		Police liability	1,000,000	2/13/2012
TML Risk Management		Workmen's compensation	1,000,000	
			(per occurrence)	2/13/2012
TML Risk Management		Employee dishonesty	100,000	2/13/2012

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Local taxes	\$ 6,465,856	\$ 6,279,618	\$ 6,036,013	\$ 5,945,932	\$ 5,812,756	\$ 5,722,804	\$ 5,252,553	\$ 4,738,424	\$ 4,294,766	\$ 4,567,171
State taxes (local share)	2,345,421	2,278,698	2,319,850	2,184,958	1,929,801	1,518,384	1,160,520	1,290,071	1,502,277	1,740,899
Federal and state grants	4,653,741	805,763	180,119	161,624	39,754	89,150	250,743	236,027	314,291	9,461
Fines and forfeitures	1,004,927	788,423	619,930	663,055	706,943	375,089	342,517	195,092	174,063	225,940
Licenses, permits and fees	1,668,104	1,659,488	1,646,805	1,744,600	1,629,845	1,122,546	984,916	956,290	857,928	815,044
Interest on investments	107,286	154,129	156,067	361,304	476,430	420,477	313,033	332,647	667,086	711,008
Increase (decrease) in fair value of investments	-	-	1,168	26,323	10,322	(22,727)	(3,538)	(165,281)	(358,750)	(147,344)
Recreation	303,377	273,334	142,315	110,872	89,659	76,669	61,774	52,300	52,162	54,357
Other	545,405	531,308	397,272	369,820	388,255	631,286	573,257	613,572	1,492,653	601,266
Total	17,094,117	12,770,761	11,499,539	11,568,488	11,083,765	9,933,678	8,935,775	8,249,142	8,996,476	8,577,802
Other Financing Sources										
Loan proceeds	6,000,000	-	5,000,000	-	-	-	-	2,596,399	2,864,762	-
Operating transfers in	1,240,955	1,181,314	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	634,056
Total revenues and other financing sources	\$ 24,335,072	\$ 13,952,075	\$ 17,670,116	\$ 12,789,119	\$ 12,137,425	\$ 10,833,884	\$ 14,508,156	\$ 11,946,588	\$ 12,738,072	\$ 9,211,858

CITY OF MILLINGTON, TENNESSEE

GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	\$ 1,971,869	\$ 1,857,509	\$ 1,914,036	\$ 1,958,214	\$ 1,825,299	\$ 1,767,307	\$ 1,540,366	\$ 1,670,169	\$ 1,430,734	\$ 1,371,224
Public Safety										
Police	3,246,625	3,198,797	3,135,905	3,461,523	2,962,084	2,635,609	2,400,435	2,073,244	1,860,286	1,651,451
Fire	3,163,826	3,117,054	3,126,272	3,157,058	2,674,949	2,092,261	1,709,324	1,473,416	1,329,512	1,263,392
Total public safety	6,410,451	6,315,851	6,262,177	6,618,581	5,637,033	4,727,870	4,109,759	3,546,660	3,189,798	2,914,843
Community Services										
Recreation	577,727	630,004	715,966	819,612	705,379	636,819	687,980	716,733	653,267	645,376
Baker Community Center	216,451	182,780	269,150	204,168	157,561	145,542	119,011	47,470	41,039	44,947
Sports Authority	419,202	299,911	-	-	-	-	-	-	-	-
Highways and streets	1,213,380	1,112,695	985,116	1,023,780	862,940	782,361	806,991	764,203	694,306	690,323
Transportation and Environment										
Public works	590,251	880,943	583,121	585,403	578,401	570,436	567,304	594,410	503,116	445,666
Sanitation	854,490	1,015,824	827,205	1,219,855	764,141	758,659	682,730	556,737	568,183	659,311
Highways and streets	946,176	816,981	765,789	785,327	675,986	641,280	598,980	504,205	540,359	608,053
Total transportation and environment	2,390,917	2,713,748	2,176,115	2,590,585	2,018,528	1,970,375	1,849,014	1,655,352	1,611,658	1,713,030
Capital projects	6,476,889	1,245,844	276,215	335,423	555,731	456,129	1,074,553	2,966,097	1,982,794	409,634
Debt service	5,835,245	745,604	641,076	639,631	653,660	629,006	5,347,381	736,281	415,334	39,156
Total expenditures	24,298,751	13,991,251	12,254,735	13,166,214	11,553,191	10,333,048	14,728,064	11,338,762	9,324,624	7,138,210
Other Financing Uses										
Operating transfers out	1,240,955	1,181,314	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	2,100,056
Total expenditures and other financing uses	\$ 25,539,706	\$ 15,172,565	\$ 13,425,312	\$ 14,386,845	\$ 12,606,851	\$ 11,233,254	\$ 20,300,445	\$ 12,439,809	\$ 10,201,458	\$ 9,238,266

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 169,234,480	\$ 182,557,550	\$ 174,747,779	\$ 155,641,650	\$ 139,290,570
Public utility	<u>9,043,000</u>	<u>9,490,000</u>	<u>9,357,031</u>	<u>8,534,562</u>	<u>8,178,224</u>
	<u>\$ 178,277,480</u>	<u>\$ 192,047,550</u>	<u>\$ 184,104,810</u>	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 132,991,630	\$ 112,662,855	\$ 100,752,280	\$ 99,118,613	\$ 97,669,246
Public utility	<u>7,210,450</u>	<u>7,247,640</u>	<u>7,247,640</u>	<u>8,046,676</u>	<u>11,443,391</u>
	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>	<u>\$ 107,999,920</u>	<u>\$ 107,165,289</u>	<u>\$ 109,112,637</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2011

Water Rates:

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

Sewer Rates:

<u>Based on Gallons of Water Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 7.10
Each additional 1,000 gallons	\$ 3.30

Sanitation Rates:

<u>Type</u>	<u>Monthly Charge</u>
Residential	\$ 24.00
Commercial	
1/3 dumpster or less pickup per week	\$ 24.00
1/3 to 2/3 dumpster pickup per week	\$ 48.00
Per full dumpster and per pickup in week	\$ 60.00

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED

June 30, 2011

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

<u>Year of Levy</u>	<u>Amount</u>
2010	\$ 69,565
2009	64,564
2008	51,080
2007	24,107
2006	33,080
2005	24,635
2004	17,117
2003	22,094
2002	34,548
2001	18,966

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2011

	<u>Total</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Property taxes receivable - beginning of year	\$ 2,590,340	\$ -	\$ 2,363,784	\$ 143,466	\$ 56,808	\$ 10,745	\$ 6,079	\$ 3,003	\$ 1,866	\$ 1,183	\$ 3,406
ADD:											
Tax levied:	2,192,813	2,192,813	-	-	-	-	-	-	-	-	-
Adjustments	21,676	-	19,706	992	-	-	-	-	-	-	978
Total Additions	<u>2,214,489</u>	<u>2,192,813</u>	<u>19,706</u>	<u>992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>978</u>
DEDUCT:											
Collections - Net of Refunds	2,225,968	-	2,132,147	52,163	37,254	2,841	1,245	294	24	-	-
Releases	182,634	-	130,471	33,340	10,458	4,095	2,492	1,086	686	6	-
Total Deductions	<u>2,408,602</u>	<u>-</u>	<u>2,262,618</u>	<u>85,503</u>	<u>47,712</u>	<u>6,936</u>	<u>3,737</u>	<u>1,380</u>	<u>710</u>	<u>6</u>	<u>-</u>
Property taxes receivable - end of year	2,396,227	2,192,813	120,872	58,955	9,096	3,809	2,342	1,623	1,156	1,177	4,384
Less: Allowance for uncollectibles	(173,147)	(87,713)	(50,766)	(24,761)	(3,820)	(1,600)	(984)	(682)	(486)	(494)	(1,841)
Property taxes receivable, net	<u>\$ 2,223,080</u>	<u>\$ 2,105,100</u>	<u>\$ 70,106</u>	<u>\$ 34,194</u>	<u>\$ 5,276</u>	<u>\$ 2,209</u>	<u>\$ 1,358</u>	<u>\$ 941</u>	<u>\$ 670</u>	<u>\$ 683</u>	<u>\$ 2,543</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2011

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	360,086,000	
C	Water Purchased	3,953,840	
D	Total Water Treated and Purchased (Sum Lines B and C)		364,039,840
E	Accounted for Water:		
F	Water Sold	306,104,622	
G	Metered for Consumption (in house usage)	26,511,825	
H	Fire Department Usage	160,760	
I	Flushing	-	
J	Tank Cleaning/Filling	342,676	
K	Street Cleaning	6,675	
L	Bulk Sales	-	
M	Water Bill Adjustments	<u>(872,964)</u>	
N	Total Accounted for Water (Sum Lines F thru M)		332,253,594
O	Unaccounted for Water (Line D minus Line N)		31,786,246
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		8.732%
Q.	Other (Explain)		



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

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

Compliance and Other Matters

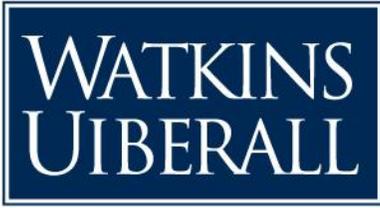
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain matters that we reported to management of the City in a separate letter dated January 30, 2012.

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

Watkins Wilkerson, PLLC

Memphis, Tennessee
January 30, 2012



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

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

Compliance

We have audited the compliance of the City of Millington, Tennessee (the "City") with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal

program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Watkins Mikusall, PLLC

Memphis Tennessee
January 30, 2012

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

A. SUMMARY OF AUDITORS' RESULTS

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

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2011

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None reported

CITY OF MILLINGTON, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2011

2010-1

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

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

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

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

Current Status: The City has hired a new Finance Director. The new Finance Director is reviewing and updating or writing new policies and procedures and is ensuring all necessary adjustments and accruals are recorded.

2010-2

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

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

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

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

Current Status: The recommendation was adopted during fiscal year 2011, and correctly prepaid expenses were accurately recorded.