

CITY OF MILLINGTON, TENNESSEE
FINANCIAL STATEMENTS

June 30, 2012



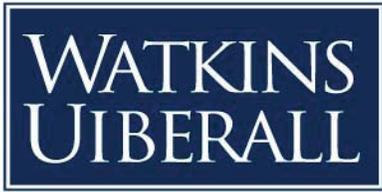
Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
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INDEPENDENT AUDITOR'S REPORT

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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund and sanitation fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* 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 on pages 40 to 54 and the schedule of expenditures of federal awards on pages 55 to 56 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 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
December 20, 2012

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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 \$45,558,806 (net assets). Of this amount, \$ 7,653,986 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$ 8,817,697 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 \$ 30,437,190. This is an increase of \$ 8,217,856 compared to the previous year's balance. Approximately 25% of this total amount, \$ 7,653,986, is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, fund balance for the general fund was \$ 6,440,090. This included a commitment of \$ 3,478,082 for financial stabilization, \$ 1,000,000 for emergencies and \$ 102,276 for library construction. The unassigned fund balance is \$ 1,097,419.

The City's principal payments on debt were \$ 425,411 during the current fiscal year and the city issued \$ 104,500 in notes payable for the initial stages of the renovation of the sewer system.

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.

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

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

governmental activities of the City include general government, public safety, transportation and environment, parks and recreation, and capital projects. The business-type activities of the City include water and sewer services.

Fund Financial Statements

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

Governmental Funds

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

The City maintains nine (9) individual government funds. Five (5) 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, debt service fund, capital improvements fund, and other (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 48 of this report.

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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 \$45,558,806 at the close of the most recent fiscal year. This is an increase of \$ 8,817,697 from last year's net assets of \$ 36,741,109.

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.

The following provides a summary of the City's net assets at June 30, 2012:

Summary of Net Assets
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 16,737	\$ 19,195	\$ 537	\$ (772)	\$ 17,274	\$ 18,423
Capital assets	<u>29,477</u>	<u>17,439</u>	<u>15,362</u>	<u>15,781</u>	<u>44,839</u>	<u>33,220</u>
Total assets	<u>46,214</u>	<u>36,634</u>	<u>15,899</u>	<u>15,009</u>	<u>62,113</u>	<u>51,643</u>
Long-term liabilities	10,390	9,771	576	298	10,966	10,069
Other liabilities	<u>5,387</u>	<u>4,643</u>	<u>201</u>	<u>189</u>	<u>5,588</u>	<u>4,832</u>
Total liabilities	<u>15,777</u>	<u>14,414</u>	<u>777</u>	<u>487</u>	<u>16,554</u>	<u>14,901</u>
Net assets:						
Invested in capital assets, net of related debt	22,524	12,906	15,362	15,781	37,886	28,687
Restricted	259	323	-	-	259	323
Unrestricted	<u>7,654</u>	<u>8,991</u>	<u>(240)</u>	<u>(1,259)</u>	<u>7,414</u>	<u>7,732</u>
Total net assets	<u>\$ 30,437</u>	<u>\$ 22,220</u>	<u>\$ 15,122</u>	<u>\$14,522</u>	<u>\$45,559</u>	<u>\$36,742</u>

The City's restricted net assets of \$259,184 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$7,653,986 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by \$8,817,697 during the current fiscal year. Of this amount, \$ 8,217,856 represented an increase in the net assets from governmental activities and \$ 599,841 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, 2012

The following is a summary of activities for the City during the fiscal year ended June 30, 2012:

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for services	\$ 3,438	\$ 2,978	\$ 3,118	\$ 2,624	\$ 6,556	\$ 5,602
Operating grants and contributions	518	622	-	48	518	670
Capital grants and contributions	9,969	4,547	15	6	9,984	4,553
General revenues						
Local taxes	6,346	6,441	-	-	6,346	6,441
Intergovernmental	2,300	2,040	-	-	2,300	2,040
Interest on investments	49	107	3	6	52	113
Other	438	545	130	150	568	695
Total revenues	<u>23,058</u>	<u>17,280</u>	<u>3,266</u>	<u>2,834</u>	<u>26,324</u>	<u>20,114</u>
Expenses						
General government	2,577	2,237	-	-	2,577	2,237
Public safety	7,022	6,802	-	-	7,022	6,802
Transportation and environment	3,446	4,245	-	-	3,446	4,245
Community Services	1,576	1,565	-	-	1,576	1,565
Interest on long-term debt	220	228	-	-	220	228
Water	-	-	1,221	1,222	1,221	1,222
Sewer	-	-	1,445	1,510	1,445	1,510
Total expenses	<u>14,841</u>	<u>15,077</u>	<u>2,666</u>	<u>2,732</u>	<u>17,507</u>	<u>17,809</u>
Change in net assets	8,217	2,203	600	102	8,817	2,305
Net assets - beginning 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>
Net assets - end of year	<u>\$ 30,437</u>	<u>\$ 22,220</u>	<u>\$ 15,122</u>	<u>\$ 14,522</u>	<u>\$ 45,559</u>	<u>\$ 36,742</u>

Governmental Activities

Governmental activities increased the City's net assets by \$ 8,217,856.

Business-Type Activities

Business-type activities increased the City's net assets by \$599,841.

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. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 11,034,499 which was a decrease of \$ 2,419,038 in comparison with the prior year. Approximately 42% of this amount, \$ 4,594,409 constitutes fund balances of special revenue funds, the debt service fund and capital projects funds, which balances are by nature planned for only the purpose for which they were created. The general fund accounts for the remaining fund balance. The City's Board of Aldermen committed \$ 3,478,082 for financial stabilization, \$ 1,000,000 for emergencies and \$ 102,276 for future library construction. The unassigned fund balance with the committed fund balance (except for

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

library construction) represent \$ 5,575,501 which together provide a cushion equal to almost half of the city's general fund budget.

The key elements of the decrease of \$2,419,038 are as follows:

- \$ (1,971,164) planned reduction of debt provided resources in funding capital projects
- \$ (405,377) in planned reduction of resources from capital outlay note for capital projects

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 \$6,440,090, with \$1,097,419 unassigned. The general fund unassigned fund balance represents approximately 11% of the total recurring general fund expenditures and transfers out. The fund balance of the City's general fund decreased by \$ 60,367 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 \$ 186,923. The fund balance deficit decreased by \$ 55,222 as a result of current year operations and a rate increase for all customers in July 2011.

The capital improvements fund has a total fund balance of \$3,989,704, all of which was assigned. The fund balance of the capital improvements fund decreased by \$ 1,971,164. 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 \$ 713,190. Virtually all of this balance is assigned, restricted or nonspendable. The combined fund balance for all nonmajor governmental funds decreased by \$ 521,167. Except for the state street aid fund, decreases in fund balances were planned draw downs. The decrease in the state street aid fund was a combination of lower than expected fuel taxes and a planned draw down in fund balance.

Proprietary Funds

The City implemented water and sewer system rate increases in April 2010 and an additional sewer system increase in June 2011 to cover increasing costs of operations. The water fund had operating income of \$ 86,765 as well as an overall increase in net assets of \$ 60,415. The sewer fund had operating income of \$ 533,049 as well as an overall increase in net assets of \$ 539,426.

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, 2012, amounts to \$ 44,838,898 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furnishings and equipment, and construction in process.

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

Land	\$ (381,294)
Construction & Improvements	12,594,846
Buildings & Improvements	275,441
Furnishings & Equipment	(14,347)
Vehicles	19,058
Water and Sewer Plant Additions	312,255

CITY OF MILLINGTON, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Capital Assets
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 5,246	\$ 5,627	\$ 727	\$ 727	\$ 5,973	\$ 6,354
Buildings and improvements	8,721	8,446	25,037	24,809	33,758	33,255
Furnishing and equipment	1,074	1,093	3,898	3,893	4,972	4,986
Vehicles	4,107	4,061	419	446	4,526	4,507
Construction in process	17,353	4,758	112	28	17,465	4,786
	<u>36,501</u>	<u>23,985</u>	<u>30,193</u>	<u>29,903</u>	<u>66,694</u>	<u>53,888</u>
Less accumulated depreciation	(7,024)	(6,546)	(14,831)	(14,122)	(21,855)	(20,668)
Total capital assets	<u>\$ 29,477</u>	<u>\$ 17,439</u>	<u>\$ 15,362</u>	<u>\$ 15,781</u>	<u>\$ 44,839</u>	<u>\$ 33,220</u>

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

Summary of Outstanding Debt
(dollars expressed in thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
YMCA commitment	\$ 368	\$ 500	\$ -	\$ -	\$ 368	\$ 500
General obligation loans	6,309	6,603	-	-	6,309	6,603
Notes payable - construction	-	-	104	-	104	-
Net post employment benefit obligation	3,041	1,997	472	298	3,513	2,295
Millington library exchange	671	671	-	-	671	671
Total long-term liabilities	<u>\$ 10,389</u>	<u>\$ 9,771</u>	<u>\$ 576</u>	<u>\$ 298</u>	<u>\$ 10,965</u>	<u>\$ 10,069</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 2012-2013 fiscal year are discussed fully in the budget document and include the following:

Base water and sewer rates remained the same.

Residential sanitation service was changed to once a week and monthly fees were decreased by \$3.00.

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

At June 30, 2012, the unassigned fund balance in the general fund was \$ 1,097,419 and \$ 574,826 was assigned for the FY13 funding for existing contracts on Veterans Parkway. The City has approved a balanced general fund operating budget of \$10,580,412 for the fiscal year 2012-2013 using expected revenues and the above referenced fund balance for completion of Veterans Parkway.

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 Finance Director, City of Millington, 7930 Nelson, Millington, Tennessee, 38053.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 6,508,762	\$ 3,042,671	\$ 9,551,433
Receivables			
Property taxes	2,391,938	-	2,391,938
Beer taxes	43,272	-	43,272
Accounts	209,091	419,443	628,534
Other	55,414	1,201	56,615
Less allowance for doubtful accounts	(260,329)	(123,998)	(384,327)
Internal balances	2,907,594	(2,907,594)	-
Due from other governments	4,654,810	60,552	4,715,362
Inventory	48,649	-	48,649
Restricted cash	10,421	550	10,971
Prepaid Items	167,678	43,911	211,589
Capital assets, not being depreciated	22,598,344	839,509	23,437,853
Capital assets, being depreciated, net	6,878,259	14,522,786	21,401,045
Total assets	<u>46,213,903</u>	<u>15,899,031</u>	<u>62,112,934</u>
LIABILITIES			
Accounts payable	2,174,240	46,899	2,221,139
Accrued expenses	1,023,061	144,198	1,167,259
Deferred revenue	2,078,226	-	2,078,226
Customer deposits	-	550	550
Due to other governments	111,689	9,369	121,058
Noncurrent liabilities:			
Due within one year	446,805	104,500	551,305
Due in more than one year	9,942,692	471,899	10,414,591
Total liabilities	<u>15,776,713</u>	<u>777,415</u>	<u>16,554,128</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,524,020	15,362,295	37,886,315
Restricted for:			
Capital outlays	28,462	-	28,462
Public safety	230,722	-	230,722
Unrestricted	7,653,986	(240,679)	7,413,307
Total net assets	<u>\$ 30,437,190</u>	<u>\$ 15,121,616</u>	<u>\$ 45,558,806</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, 2012

	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	\$ 2,577,193	\$ 646,833	\$ 88,759	\$ -	\$ (1,841,601)	\$ -	\$ (1,841,601)
Public safety	7,022,451	1,117,138	-	-	(5,905,313)	-	(5,905,313)
Community services	1,575,625	389,020	-	-	(1,186,605)	-	(1,186,605)
Transportation and environment	3,445,748	1,285,472	429,690	9,968,523	8,237,937	-	8,237,937
Interest on long-term debt	219,673	-	-	-	(219,673)	-	(219,673)
Total governmental activities	<u>14,840,690</u>	<u>3,438,463</u>	<u>518,449</u>	<u>9,968,523</u>	<u>(915,255)</u>	<u>-</u>	<u>(915,255)</u>
Business-type activities:							
Water	1,220,821	1,242,125	-	9,946	-	31,250	31,250
Sewer	1,445,351	1,876,399	-	4,740	-	435,788	435,788
Total business-type activities:	<u>2,666,172</u>	<u>3,118,524</u>	<u>-</u>	<u>14,686</u>	<u>-</u>	<u>467,038</u>	<u>467,038</u>
Total primary government	<u>\$ 17,506,862</u>	<u>\$ 6,556,987</u>	<u>\$ 518,449</u>	<u>\$ 9,983,209</u>	<u>(915,255)</u>	<u>467,038</u>	<u>(448,217)</u>
General revenues:							
Local taxes					6,345,837	-	6,345,837
Intergovernmental					2,299,555	-	2,299,555
Interest on investments					49,343	3,161	52,504
Other					438,376	129,642	568,018
Total general revenues and transfers					<u>9,133,111</u>	<u>132,803</u>	<u>9,265,914</u>
Change in net assets					8,217,856	599,841	8,817,697
Net assets - beginning					<u>22,219,334</u>	<u>14,521,775</u>	<u>36,741,109</u>
Net assets - ending					<u>\$ 30,437,190</u>	<u>\$ 15,121,616</u>	<u>\$ 45,558,806</u>

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

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012

	General Fund	Special Revenue Sanitation Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,335,452	\$ 546,941	\$ 180,438	\$ 737,862	\$ 708,069	\$ 6,508,762
Receivables						
Property taxes	2,391,938	-	-	-	-	2,391,938
Beer taxes	43,272	-	-	-	-	43,272
Accounts	-	196,183	-	-	12,908	209,091
Other	55,414	-	-	-	-	55,414
Less allowance for doubtful accounts	(181,983)	(65,438)	-	-	(12,908)	(260,329)
Due from other funds	2,202,322	-	-	2,954,868	30,197	5,187,387
Due from other governments	857,880	16,066	-	3,727,888	52,976	4,654,810
Inventory	48,649	-	-	-	-	48,649
Restricted cash	10,421	-	-	-	-	10,421
Prepaid items	138,838	16,783	-	-	12,057	167,678
Total assets	\$ 9,902,203	\$ 710,535	\$ 180,438	\$ 7,420,618	\$ 803,299	\$ 19,017,093
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 61,944	\$ 4,784	\$ -	\$ 2,068,692	\$ 21,338	\$ 2,156,758
Accrued liabilities	921,866	55,212	-	4,569	41,414	1,023,061
Deferred revenue	2,161,679	16,066	-	230,886	2,662	2,411,293
Due to other governments	101,034	5,676	-	-	4,979	111,689
Due to other funds	215,590	815,720	102,000	1,126,767	19,716	2,279,793
Total liabilities	3,462,113	897,458	102,000	3,430,914	90,109	7,982,594
Fund balances:						
Nonspendable	187,487	16,783	-	-	12,057	216,327
Restricted	-	-	-	-	259,184	259,184
Committed	4,580,358	-	-	-	441,949	5,022,307
Assigned	574,826	-	78,438	3,989,704	-	4,642,968
Unassigned	1,097,419	(203,706)	-	-	-	893,713
Total fund balances	6,440,090	(186,923)	78,438	3,989,704	713,190	11,034,499
Total liabilities and fund balances	\$ 9,902,203	\$ 710,535	\$ 180,438	\$ 7,420,618	\$ 803,299	\$ 19,017,093

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, 2012

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

Total governmental fund balances	\$ 11,034,499
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,476,603
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	333,067
Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds.	(17,482)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,389,497)</u>
Net assets of governmental activities	<u><u>\$ 30,437,190</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, 2012

	General Fund	Special Revenue Sanitation Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 6,351,200	\$ -	\$ -	\$ -	\$ -	\$ 6,351,200
Licenses and permits	281,833	-	-	-	-	281,833
Intergovernmental	2,011,253	-	-	-	288,302	2,299,555
Charges for services	754,020	1,039,217	-	-	246,255	2,039,492
Fines, forfeitures, and penalties	896,374	-	-	-	220,764	1,117,138
Federal, state and local grants	88,759	-	-	10,750,742	429,690	11,269,191
Interest on investments	6,199	437	-	41,574	1,133	49,343
Other	249,960	15,754	-	139,975	32,687	438,376
Total revenues	<u>10,639,598</u>	<u>1,055,408</u>	<u>-</u>	<u>10,932,291</u>	<u>1,218,831</u>	<u>23,846,128</u>
EXPENDITURES						
Current						
General government	1,886,636	-	-	-	-	1,886,636
Public safety	6,348,288	-	-	-	117,050	6,465,338
Community services	1,190,830	-	-	-	-	1,190,830
Transportation and environment	487,700	1,000,186	-	-	1,367,258	2,855,144
Capital improvements	-	-	-	12,738,455	478,309	13,216,764
Debt Service						
Principal	-	-	425,411	-	-	425,411
Interest and fiscal charges	-	-	225,043	-	-	225,043
Total expenditures	<u>9,913,454</u>	<u>1,000,186</u>	<u>650,454</u>	<u>12,738,455</u>	<u>1,962,617</u>	<u>26,265,166</u>
Excess (deficiency) of revenues over (under) expenditures	726,144	55,222	(650,454)	(1,806,164)	(743,786)	(2,419,038)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	728,892	(165,000)	222,619	786,511
Transfers out	(786,511)	-	-	-	-	(786,511)
Total other financing sources and uses	<u>(786,511)</u>	<u>-</u>	<u>728,892</u>	<u>(165,000)</u>	<u>222,619</u>	<u>-</u>
Net change in fund balances	(60,367)	55,222	78,438	(1,971,164)	(521,167)	(2,419,038)
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 6,440,090</u>	<u>\$ (186,923)</u>	<u>\$ 78,438</u>	<u>\$ 3,989,704</u>	<u>\$ 713,190</u>	<u>\$ 11,034,499</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, 2012

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

Net change in fund balance - total governmental funds \$ (2,419,038)

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. 12,037,918

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (787,582)

Changes in interest payable on long-term debt 5,512

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amount are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt. (618,954)

Change in net assets of governmental funds \$ 8,217,856

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,488,589	\$ 6,488,589	\$ 6,351,200	\$ (137,389)
Licenses and permits	277,300	277,300	281,833	4,533
Intergovernmental	2,034,948	2,034,948	2,011,253	(23,695)
Charges for services	736,500	736,500	754,020	17,520
Fines, forfeitures, and penalties	780,300	780,300	896,374	116,074
Federal, state and local grants	-	126,902	88,759	(38,143)
Interest on investments	10,000	10,000	6,199	(3,801)
Other	136,065	194,619	249,960	55,341
Total revenues	10,463,702	10,649,158	10,639,598	(9,560)
EXPENDITURES				
General government	1,792,214	1,908,514	1,886,636	21,878
Public safety				
Police department	3,108,233	3,174,343	3,174,303	40
Fire department	3,159,243	3,177,875	3,173,985	3,890
Community services				
Recreation department	576,655	591,510	591,476	34
Baker community center and civic center	246,520	230,912	230,886	26
Sports authority	326,179	368,502	368,468	34
Transportation and environment	495,847	481,250	487,700	(6,450)
Total expenditures	9,704,891	9,932,906	9,913,454	19,452
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	758,811	716,252	726,144	9,892
OTHER FINANCING SOURCES (USES)				
Transfers out	(758,811)	(803,011)	(786,511)	16,500
Planned use of fund balance	-	86,759	-	(86,759)
Total other financing sources (uses)	(758,811)	(716,252)	(786,511)	(70,259)
Net change in fund balances	\$ -	\$ -	(60,367)	\$ (60,367)
Fund balance - beginning			6,500,457	
Fund balance - ending			\$ 6,440,090	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Commercial fees	\$ 217,000	\$ 217,000	\$ 230,937	\$ 13,937
Residential fees	813,312	813,312	808,280	(5,032)
Interest on investments	500	500	437	(63)
Other	20,000	20,000	15,754	(4,246)
Total revenues	<u>1,050,812</u>	<u>1,050,812</u>	<u>1,055,408</u>	<u>4,596</u>
Expenditures:				
Salaries	468,432	457,459	457,459	-
Insurance	109,973	109,948	109,509	439
Payroll taxes	33,784	29,657	29,656	1
Retirement	51,892	54,128	54,126	2
Gas and oil	56,000	64,998	64,998	-
Sanitation disposal fees	53,000	38,965	38,965	-
Repairs and maintenance	45,984	97,250	96,589	661
Administrative and other	16,247	18,907	18,460	447
Capital outlays	215,500	272,609	130,424	142,185
Total expenditures	<u>1,050,812</u>	<u>1,143,921</u>	<u>1,000,186</u>	<u>143,735</u>
Excess (deficiency) of revenues over expenditures	-	(93,109)	55,222	148,331
Other financing sources (uses):				
Planned use of fund balance	-	93,109	-	(93,109)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	55,222	<u>\$ 55,222</u>
Fund balance - beginning			<u>(242,145)</u>	
Fund balance - ending			<u>\$ (186,923)</u>	

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

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2012

ASSETS	Water Fund	Sewer Fund	Total Proprietary Funds
Current assets:			
Cash and cash equivalents	\$ 607,178	\$ 2,435,493	\$ 3,042,671
Receivables			
Customers	236,698	182,745	419,443
Other	1,201	-	1,201
Less allowance for doubtful accounts	(70,506)	(53,492)	(123,998)
Prepaid expenses	23,600	20,311	43,911
Due from other funds	2,254	236,666	238,920
Due from other governments	-	60,552	60,552
Total current assets	<u>800,425</u>	<u>2,882,275</u>	<u>3,682,700</u>
Noncurrent assets:			
Restricted cash	345	205	550
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,100,305	13,936,522	25,036,827
Furnishings and equipment	771,440	3,126,606	3,898,046
Vehicles	145,026	274,042	419,068
Construction in progress	410	112,150	112,560
Less accumulated depreciation	(4,979,673)	(9,851,482)	(14,831,155)
Total capital assets	<u>7,039,915</u>	<u>8,322,380</u>	<u>15,362,295</u>
Total noncurrent assets	<u>7,040,260</u>	<u>8,322,585</u>	<u>15,362,845</u>
Total assets	<u>7,840,685</u>	<u>11,204,860</u>	<u>19,045,545</u>
LIABILITIES			
Current liabilities:			
Accounts payable	18,272	28,627	46,899
Accrued expenses	77,366	66,832	144,198
Due to other funds	3,136,197	10,317	3,146,514
Due to other governments	4,244	5,125	9,369
Customer deposits	345	205	550
State revolving fund loan	-	104,500	104,500
Total current liabilities	<u>3,236,424</u>	<u>215,606</u>	<u>3,452,030</u>
Noncurrent liabilities			
Net post employment benefit obligations	186,784	285,115	471,899
Total liabilities	<u>3,423,208</u>	<u>500,721</u>	<u>3,923,929</u>
NET ASSETS			
Invested in capital assets	7,039,915	8,322,380	15,362,295
Unrestricted	(2,622,438)	2,381,759	(240,679)
Total net assets	<u>\$ 4,417,477</u>	<u>\$ 10,704,139</u>	<u>\$ 15,121,616</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, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 1,201,190	\$ -	\$ 1,201,190
Sewer service fee	-	1,852,480	1,852,480
Service connections fees	13,800	9,850	23,650
Forfeited discounts	27,135	14,069	41,204
Other	28,085	101,557	129,642
Total operating revenues	<u>1,270,210</u>	<u>1,977,956</u>	<u>3,248,166</u>
Operating expenses:			
Administrative and general	65,298	75,996	141,294
Pumping and filtering	551,501	737,589	1,289,090
Distribution system	271,285	190,447	461,732
Depreciation	295,361	440,875	736,236
Total operating expenses	<u>1,183,445</u>	<u>1,444,907</u>	<u>2,628,352</u>
Operating income (loss)	86,765	533,049	619,814
Nonoperating revenues (expenses):			
Interest income	1,080	2,081	3,161
Interest expense	<u>(37,376)</u>	<u>(444)</u>	<u>(37,820)</u>
Total non-operating revenues (expenses)	<u>(36,296)</u>	<u>1,637</u>	<u>(34,659)</u>
Income (loss) before contributions	50,469	534,686	585,155
Capital contributions - tap fees	8,206	2,500	10,706
Capital contributions - development fees	1,740	2,240	3,980
Total capital contributions	<u>9,946</u>	<u>4,740</u>	<u>14,686</u>
Change in net assets	60,415	539,426	599,841
Total net assets - beginning	<u>4,357,062</u>	<u>10,164,713</u>	<u>14,521,775</u>
Total net assets - ending	<u>\$ 4,417,477</u>	<u>\$ 10,704,139</u>	<u>\$ 15,121,616</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, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,379,491	\$ 1,805,115	\$ 3,184,606
Payments to suppliers	(340,288)	(323,410)	(663,698)
Payments to employees	(462,664)	(569,500)	(1,032,164)
Other receipts	<u>29,542</u>	<u>103,048</u>	<u>132,590</u>
Net cash provided by operating activities	606,081	1,015,253	1,621,334
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments to other funds	(743,338)	(42,728)	(786,066)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	104,500	104,500
Capital contributions	9,946	4,740	14,686
Acquisition and construction of capital assets	(5,635)	(311,845)	(317,480)
Interest paid on capital debt	-	(444)	(444)
Net cash provided (used) by capital and related financing activities	<u>4,311</u>	<u>(203,049)</u>	<u>(198,738)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>1,143</u>	<u>2,161</u>	<u>3,304</u>
Net increase (decrease) in cash and cash equivalents	(131,803)	771,637	639,834
Cash and cash equivalents - beginning of the year	<u>738,981</u>	<u>1,663,856</u>	<u>2,402,837</u>
Cash and cash equivalents - end of the year	<u>\$ 607,178</u>	<u>\$ 2,435,493</u>	<u>\$ 3,042,671</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 86,765	\$ 533,049	\$ 619,814
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	295,361	440,875	736,236
Change in assets and liabilities			
Receivables			
Customers	130,729	(58,336)	72,393
Other	6,637	9,098	15,735
Prepaid expenses	5,853	7,385	13,238
Due from other governments	-	(22,046)	(22,046)
Accounts payable	14,893	22,688	37,581
Accrued expenses	(14,398)	(14,508)	(28,906)
Due to other governments	1,457	1,491	2,948
Net post employment benefit obligations	78,784	95,557	174,341
Net cash provided by operating activities	<u>\$ 606,081</u>	<u>\$ 1,015,253</u>	<u>\$ 1,621,334</u>

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

CITY OF MILLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

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

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

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, committed, assigned or unassigned. A description of each category is provided below.

Non-Spendable Fund Balance – amounts that cannot be spent because they are either (a) in 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.

Committed Fund Balance – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Aldermen. Amounts classified as

committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board reviews or changes the commitment by taking the same action it employed to impose the commitment.

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. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. 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. Fund Balance Committed for General Fund

The Board of Mayor and Aldermen adopted an Ordinance in June 2012 that established a financial stabilization account and an emergency account as committed parts of the fund balance for the General Fund. The financial stabilization account is established as 30% of the appropriations for the next fiscal year in order to have a method of dealing with revenue shortages or other unanticipated budgetary needs. The emergency account is established at \$1,000,000 for use in covering catastrophic losses, including natural and man-made disasters. The balances of these accounts at June 30, 2012 are \$3,478,082 and \$1,000,000, respectively.

10. 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 \$29,476,603 difference are as follows:

Governmental funds capital assets	\$ 36,500,774
Less: accumulated depreciation	<u>(7,024,171)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 29,476,603</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 \$10,389,497 difference are as follows:

Notes payable	\$ (6,719,570)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	42,216
Millington library exchange liability	(671,261)
Net post employment benefit obligation	<u>(3,040,882)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (10,389,497)</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 \$12,037,918 difference are as follows:

Capital outlay	\$ 13,097,106
Depreciation expense	(670,394)
Loss on disposal of capital assets	<u>(388,794)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 12,037,918</u>

Another element of that reconciliation states 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 the \$618,954 difference are as follows:

Debt issued or incurred:	
Amortization of bond issuance costs	\$ (142)
Principal repayment on bonds payable	425,411
Increase in net post employment benefit obligation	<u>(1,044,223)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (618,954)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds. The budget is adopted at the 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, 2012, expenditures exceeded appropriations in the following governmental funds:

	<u>Amount</u>
Capital Improvements	\$ (1,596,016)

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, 2012, the sanitation fund had a deficit fund balance of \$186,923.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$9,381,966 and the bank balance was \$9,490,841. Of the bank balance, \$510,596 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$8,980,245 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	Water Fund	Sewer Fund	Non-major Funds	Total
Receivables:						
Taxes	\$ 2,435,210	\$ -	\$ -	\$ -	\$ -	\$ 2,435,210
Accounts receivable	-	196,183	236,698	182,745	12,908	628,534
Other	55,414	-	1,201	-	-	56,615
Gross receivables	2,490,624	196,183	237,899	182,745	12,908	3,120,359
Less: allowance for doubtful accounts	(181,983)	(65,438)	(70,506)	(53,492)	(12,908)	(384,327)
Net total receivables	<u>\$ 2,308,641</u>	<u>\$ 130,745</u>	<u>\$ 167,393</u>	<u>\$ 129,253</u>	<u>\$ -</u>	<u>\$ 2,736,032</u>

Property tax revenues in the general fund are reported net of uncollectible amounts. The allowance for uncollectible property taxes increased for the current year resulting in a decrease in reported revenues of \$8,836.

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 \$2,156,502 for property taxes receivable, \$91,358 for FEMA and TEMA reimbursements from flood damage, and \$163,433 for grants was reported in governmental funds.

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2012 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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,627,283	\$ -	\$ (381,294)	\$ 5,245,989
Construction in progress	4,757,509	12,655,519	(60,673)	17,352,355
Total capital assets, not being depreciated	<u>10,384,792</u>	<u>12,655,519</u>	<u>(441,967)</u>	<u>22,598,344</u>
Capital assets, being depreciated:				
Buildings and improvements	8,445,804	275,441	-	8,721,245
Furnishings and equipment	1,093,715	20,767	(40,339)	1,074,143
Vehicles	4,060,863	206,052	(159,873)	4,107,042
Total capital assets, being depreciated	<u>13,600,382</u>	<u>502,260</u>	<u>(200,212)</u>	<u>13,902,430</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,317,611)	(277,112)	-	(3,594,723)
Furnishings and equipment	(734,463)	(57,749)	40,339	(751,873)
Vehicles	(2,494,415)	(335,533)	152,373	(2,677,575)
Total accumulated depreciation	<u>(6,546,489)</u>	<u>(670,394)</u>	<u>192,712</u>	<u>(7,024,171)</u>
Total capital assets, being depreciated, net	<u>7,053,893</u>	<u>(168,134)</u>	<u>(7,500)</u>	<u>6,878,259</u>
Governmental activities capital assets, net	<u>\$ 17,438,685</u>	<u>\$ 12,487,385</u>	<u>\$ (449,467)</u>	<u>\$ 29,476,603</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	312,255	(227,720)	112,560
Total capital assets, not being depreciated	<u>754,974</u>	<u>312,255</u>	<u>(227,720)</u>	<u>839,509</u>
Capital assets, being depreciated:				
Buildings and improvements	24,809,107	227,720	-	25,036,827
Furnishings and equipment	3,892,821	5,225	-	3,898,046
Vehicles	446,189	-	(27,121)	419,068
Total capital assets, being depreciated	<u>29,148,117</u>	<u>232,945</u>	<u>(27,121)</u>	<u>29,353,941</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,537,418)	(591,008)	-	(11,128,426)
Furnishings and equipment	(3,171,071)	(121,007)	-	(3,292,078)
Vehicles	(413,551)	(24,221)	27,121	(410,651)
Total accumulated depreciation	<u>(14,122,040)</u>	<u>(736,236)</u>	<u>27,121</u>	<u>(14,831,155)</u>
Total capital assets, being depreciated, net	<u>15,026,077</u>	<u>(503,291)</u>	<u>-</u>	<u>14,522,786</u>
Business-type activity capital assets, net	<u>\$ 15,781,051</u>	<u>\$ (191,036)</u>	<u>\$ (227,720)</u>	<u>\$ 15,362,295</u>

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

Governmental Activities:

General government	\$ 40,726
Public safety	271,835
Community services	108,307
Transportation and environment	249,526
Total depreciation expense - governmental activities	<u>\$ 670,394</u>

Business-Type Activities:

Water	\$ 295,361
Sewer	440,875
Total depreciation expense - business-type activities	<u>\$ 736,236</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, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 14,381
	Water	146,128
	Sanitation	813,046
	Debt Service	102,000
	Capital improvements	1,126,767
		<u>\$ 2,202,322</u>
Water	Sanitation	<u>\$ 2,254</u>
Capital improvements	Water	<u>\$ 2,954,868</u>
Nonmajor governmental	General	\$ 800
	Water	13,745
	Sewer	10,317
	Nonmajor governmental	5,335
		<u>\$ 30,197</u>
Sewer	General	\$ 214,790
	Water	21,456
	Sanitation	420
		<u>\$ 236,666</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>Debt Service</u>	<u>Nonmajor</u>	
Transfer out:	<u>Fund</u>	<u>Governmental -</u>	<u>Total</u>
General fund	\$ 563,892	\$ 222,619	\$ 786,511
Capital projects	165,000	-	165,000
	<u>\$ 728,892</u>	<u>\$ 222,619</u>	<u>\$ 951,511</u>
Total transfers out	<u>\$ 728,892</u>	<u>\$ 222,619</u>	<u>\$ 951,511</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 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 2012 was .82%.

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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 7,144,981	\$ -	\$ (425,411)	\$ 6,719,570	\$ 446,805
Less deferred amounts:					
For issuance costs	(42,358)	-	142	(42,216)	-
Total notes payable	7,102,623	-	(425,269)	6,677,354	446,805
Net post employment benefit obligation	1,996,659	1,044,223	-	3,040,882	-
Millington library exchange liability	671,261	-	-	671,261	-
Total long-term liabilities	<u>\$ 9,770,543</u>	<u>\$ 1,044,223</u>	<u>\$ (425,269)</u>	<u>\$ 10,389,497</u>	<u>\$ 446,805</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable - construction	\$ -	\$ 104,500	\$ -	\$ 104,500	\$ -
Net post employment benefit obligation	297,558	174,341	-	471,899	-
	<u>\$ 297,558</u>	<u>\$ 278,841</u>	<u>\$ -</u>	<u>\$ 576,399</u>	<u>\$ -</u>

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

Years Ending June 30	Principal	Interest	Total
2013	\$ 446,805	\$ 210,492	\$ 657,297
2014	469,420	198,035	667,455
2015	425,345	185,392	610,737
2016	288,000	178,240	466,240
2017	298,000	168,228	466,228
2018-2022	1,486,000	680,217	2,166,217
2023-2027	1,013,000	479,319	1,492,319
2028-2032	1,191,000	301,397	1,492,397
2033-2036	1,102,000	92,120	1,194,120
	<u>\$ 6,719,570</u>	<u>\$ 2,493,440</u>	<u>\$ 9,213,010</u>

F. FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	Special Revenue Sanitation Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:						
Inventory	\$ 48,649	\$ -	\$ -	\$ -	\$ -	\$ 48,649
Prepaid expenses	138,838	16,783	-	-	12,057	167,678
Total nonspendable	<u>187,487</u>	<u>16,783</u>	<u>-</u>	<u>-</u>	<u>12,057</u>	<u>216,327</u>
Restricted for:						
Capital improvements	-	-	-	-	28,462	28,462
Drug enforcement	-	-	-	-	230,722	230,722
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,184</u>	<u>259,184</u>
Committed to:						
Financial stabilization	3,478,082	-	-	-	-	3,478,082
Emergency	1,000,000	-	-	-	-	1,000,000
Library construction	102,276	-	-	-	-	102,276
State gas fees and taxes	-	-	-	-	193	193
Drainage control	-	-	-	-	441,756	441,756
Total committed	<u>4,580,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,949</u>	<u>5,022,307</u>
Assigned to:						
Purchase order encumbrances	574,826	-	-	-	-	574,826
Debt service	-	-	78,438	-	-	78,438
Capital improvements	-	-	-	3,989,704	-	3,989,704
Total assigned	<u>574,826</u>	<u>-</u>	<u>78,438</u>	<u>3,989,704</u>	<u>-</u>	<u>4,642,968</u>
Unassigned	<u>1,097,419</u>	<u>(203,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>893,713</u>
Total fund balances	<u>\$ 6,440,090</u>	<u>\$ (186,923)</u>	<u>\$ 78,438</u>	<u>\$ 3,989,704</u>	<u>\$ 713,190</u>	<u>\$ 11,034,499</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, 2012 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, 2012, Millington's annual pension cost of \$814,888 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, 2011, which established contribution rates effective July 1, 2012.

D. Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 814,888	100%	\$ -
June 30, 2011	\$ 765,652	100%	\$ -
June 30, 2010	\$ 767,536	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.84% funded. The actuarial accrued liability for benefits was \$18.74 million, and the actuarial value of assets was \$18.71 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.34 million, and the ratio of the UAAL to the covered payroll was 0.46%.

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.

Required Supplementary Information Schedule of Funding Progress for Millington

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$ 18,706,000	\$ 18,736,000	\$ 29,000	99.84%	\$ 6,343,000	0.46%
July 1, 2009	\$ 15,313,000	\$ 15,354,000	\$ 41,000	99.73%	\$ 6,218,000	0.66%
July 1, 2007	\$ 14,439,000	\$ 14,490,000	\$ 51,000	99.65%	\$ 6,050,000	0.84%

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 \$95,016 for the year ended June 30, 2012.

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 \$3.30 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, 26 retirees and spouses are participating in post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. The City pays 65% of the premium for health care benefits for retirees and their dependents.

A. Plan Description

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

B. Funding Policy

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

than 100 hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years. For fiscal year 2012, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$112,571 for 2012. 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	\$ 1,325,451
Contributions or payments made	<u>(112,571)</u>
Increase in net OPEB obligation	1,212,880
Net OPEB obligation, beginning of year	<u>2,299,901</u>
Net OPEB obligation, end of year	<u><u>\$ 3,512,781</u></u>
Percentage of expense contributed	<u><u>8.49%</u></u>

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, 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, 2011	\$ -	\$ 10,558,534	\$ 10,558,534	0.00%	\$ 6,428,037	164.26%
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, 2011, 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 7.5% in the short-term to 6.0% 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.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 2,209,104	\$ 2,209,104	\$ 2,221,630	\$ 12,526
Beer tax	450,000	450,000	449,219	(781)
Business and personalty tax	413,135	413,135	444,623	31,488
Local sales tax	3,150,000	3,150,000	3,076,435	(73,565)
Hotel/Motel tax	220,000	220,000	112,194	(107,806)
Interest and penalties	21,350	21,350	21,160	(190)
CATV franchise tax	25,000	25,000	25,939	939
Total taxes	6,488,589	6,488,589	6,351,200	(137,389)
LICENSES AND PERMITS				
Automobile stickers	172,000	172,000	167,729	(4,271)
Building and related permits	39,700	39,700	49,357	9,657
Planning and subdivision fees	3,000	3,000	4,226	1,226
Beer application and solicitors	2,400	2,400	3,608	1,208
Clerk fees	1,000	1,000	-	(1,000)
Liquor inspection fee	59,200	59,200	56,913	(2,287)
Total licenses and permits	277,300	277,300	281,833	4,533
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Sales tax	690,000	690,000	690,290	290
Beer tax	9,800	9,800	8,690	(1,110)
Income tax	3,000	3,000	7,459	4,459
Excise tax	10,000	10,000	15,424	5,424
Mixed drinks tax	26,200	26,200	30,385	4,185
Telecommunications sales tax	500	500	632	132
Receipts in lieu of tax - TVA	117,412	117,412	117,569	157
Receipts in lieu of tax -				
Millington Housing Authority	20,467	20,467	18,860	(1,607)
Receipts in lieu of tax - MLGW	94,000	94,000	98,733	4,733
Shelby County - Fire	1,033,869	1,033,869	1,014,262	(19,607)
Shelby County - "911"	12,700	12,700	1,049	(11,651)
U.S. Department of Justice DEA overtime	17,000	17,000	7,900	(9,100)
Total intergovernmental	2,034,948	2,034,948	2,011,253	(23,695)

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority fire protection	365,000	365,000	365,000	-
Recreation	371,500	371,500	389,020	17,520
Total charges for services	<u>736,500</u>	<u>736,500</u>	<u>754,020</u>	<u>17,520</u>
FINES FORFEITURES AND PENALTIES	<u>780,300</u>	<u>780,300</u>	<u>896,374</u>	<u>116,074</u>
FEDERAL, STATE AND LOCAL GRANTS	<u>-</u>	<u>126,902</u>	<u>88,759</u>	<u>(38,143)</u>
INTEREST ON INVESTMENTS	<u>10,000</u>	<u>10,000</u>	<u>6,199</u>	<u>(3,801)</u>
OTHER	<u>136,065</u>	<u>194,619</u>	<u>249,960</u>	<u>55,341</u>
TOTAL GENERAL FUND REVENUES	<u><u>\$ 10,463,702</u></u>	<u><u>\$ 10,649,158</u></u>	<u><u>\$ 10,639,598</u></u>	<u><u>\$ (9,560)</u></u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General and Administrative Salaries				
Office personnel	\$ 520,750	\$ 505,415	\$ 505,412	\$ 3
Officials	5,000	1,746	1,746	-
City judge	146,816	139,771	139,769	2
City prosecutor	16,000	15,996	15,996	-
Court personnel	17,000	16,635	16,634	1
Building inspector and code enforcement	246,546	250,865	250,864	1
Advertising	2,500	2,302	2,302	-
Air conditioning	5,000	8,343	8,342	1
Chamber of Commerce	18,000	18,000	18,000	-
Contract labor	190,380	256,233	256,233	-
Engineering	500	519	519	-
Inspection	1,000	-	-	-
Insurance	104,825	107,870	107,855	15
Legal and professional	181,973	226,914	227,043	(129)
Library	97,776	97,640	97,639	1
Maintenance	40,000	25,745	25,743	2
Membership	10,300	9,015	9,014	1
Office supplies	12,650	11,984	11,982	2
Payroll taxes	6,171	12,373	12,370	3
Physical and medical	2,700	1,554	1,550	4
Public relations	11,500	23,880	23,880	-
Publications and flags	2,700	789	788	1
Repairs and maintenance	32,320	46,754	47,508	(754)
Retirement	98,650	103,615	103,613	2
Supplies	33,100	27,203	27,318	(115)
Telephone	28,940	35,103	35,101	2
Travel and training	23,037	13,594	13,860	(266)
Utilities	37,600	29,506	29,505	1
Administrative and other	(101,520)	(103,950)	(103,950)	-
Capital outlay - equipment purchases	-	23,100	-	23,100
Total general government	1,792,214	1,908,514	1,886,636	21,878

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries and wages	1,969,346	2,044,787	2,044,784	3
Payroll taxes	150,655	146,698	146,697	1
Insurance	350,128	309,410	309,386	24
Retirement	221,516	243,394	243,393	1
Telephone and utilities	56,000	54,498	54,497	1
Education and training	10,000	10,569	10,568	1
Medical	9,000	7,577	7,577	-
Repairs and maintenance	140,373	136,993	136,991	2
Supplies and other	56,715	69,329	69,326	3
Gas and oil	100,000	117,279	117,277	2
Uniforms	30,000	21,104	21,103	1
Jail expense	14,500	12,705	12,704	1
Total police department	<u>3,108,233</u>	<u>3,174,343</u>	<u>3,174,303</u>	<u>40</u>
Fire Department				
Salaries and wages	1,832,645	1,852,728	1,852,726	2
Payroll taxes	140,197	129,094	129,093	1
Insurance	330,708	319,364	319,362	2
Retirement	206,993	217,694	217,694	-
Ambulance service	363,000	361,998	361,998	-
Telephone and utilities	71,000	62,513	62,512	1
Education and training	18,000	19,277	19,277	-
Medical	8,500	15,176	15,052	124
Repairs and maintenance	83,500	72,302	72,299	3
Supplies and other	49,700	71,060	67,305	3,755
Gas and oil	35,000	38,291	38,289	2
Uniforms	14,000	14,510	14,510	-
Volunteer	3,000	1,500	1,500	-
Fire hose	3,000	2,368	2,368	-
Total fire department	<u>3,159,243</u>	<u>3,177,875</u>	<u>3,173,985</u>	<u>3,890</u>
Total public safety	6,267,476	6,352,218	6,348,288	3,930

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Recreation Department				
Operating Expenditures				
Salaries and wages	309,798	316,294	316,292	2
Payroll taxes	23,778	21,489	21,482	7
Insurance	83,925	74,978	74,973	5
Retirement	31,712	31,366	31,365	1
Telephone	7,800	8,174	8,172	2
Education and training	5,537	3,354	3,353	1
Utilities	24,000	23,891	23,890	1
Supplies and other	30,900	36,350	36,345	5
Medical	950	875	873	2
Repairs and maintenance	39,450	40,707	40,704	3
Playground supplies	5,500	3,645	3,644	1
Uniforms	11,905	9,456	9,453	3
Trophies	1,400	1,031	1,030	1
Capital outlay - equipment purchases	-	19,900	19,900	-
Total recreation department	576,655	591,510	591,476	34
Baker Community Center and Civic Center				
Operating Expenditures				
Salaries and wages	28,500	31,487	31,486	1
Payroll taxes	2,180	2,411	2,408	3
Insurance	15,840	15,679	15,677	2
Repairs and maintenance	27,000	30,559	30,551	8
Supplies	44,800	43,694	43,685	9
Utilities	114,000	94,221	94,220	1
Special Events	14,200	12,861	12,859	2
Total Baker Community Center and Civic Center	246,520	230,912	230,886	26

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Sports Authority				
Operating Expenditures				
Salaries and wages	113,588	137,668	137,665	3
Payroll taxes	8,689	10,984	10,983	1
Insurance	18,480	14,169	14,164	5
Retirement	9,822	8,049	8,049	-
Advertising	2,100	2,116	2,112	4
Repairs and maintenance	47,000	17,700	17,698	2
Supplies	60,700	106,130	106,113	17
Education and training	200	146	146	-
Public relations	10,200	384	384	-
Telephone	500	4,710	4,710	-
Utilities	54,900	66,446	66,444	2
Total sports authority	<u>326,179</u>	<u>368,502</u>	<u>368,468</u>	<u>34</u>
 Total community services	 1,149,354	 1,190,924	 1,190,830	 94
 TRANSPORTATION AND ENVIRONMENT				
Public Works Department				
Operating Expenditures				
Salaries and wages	303,653	285,879	285,878	1
Payroll taxes	23,229	22,333	22,332	1
Insurance	56,131	56,054	56,048	6
Repairs and maintenance	11,515	(84,684)	(84,686)	2
Retirement	35,679	37,913	37,912	1
Gas and oil	9,000	114,815	121,282	(6,467)
Medical	500	1,060	1,058	2
Office supplies	6,000	8,606	8,606	-
Supplies	12,100	7,568	7,567	1
Telephone	12,640	8,855	8,855	-
Training and travel	1,400	1,341	1,340	1
Uniforms	4,500	4,765	4,765	-
Utilities	17,500	15,254	15,253	1
Animal control	2,000	1,491	1,490	1
Total public works department	<u>495,847</u>	<u>481,250</u>	<u>487,700</u>	<u>(6,450)</u>
 TOTAL GENERAL FUND EXPENDITURES	 <u><u>\$ 9,704,891</u></u>	 <u><u>\$ 9,932,906</u></u>	 <u><u>\$ 9,913,454</u></u>	 <u><u>\$ 19,452</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Expenditures:				
Principal retirement	\$ 515,000	\$ 482,480	\$ 425,411	\$ 57,069
Interest expense	213,892	246,412	225,043	21,369
Total expenditures	<u>728,892</u>	<u>728,892</u>	<u>650,454</u>	<u>78,438</u>
Other Financing Sources:				
Transfers in	<u>728,892</u>	<u>728,892</u>	<u>728,892</u>	<u>-</u>
Total other financing sources	<u>728,892</u>	<u>728,892</u>	<u>728,892</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	78,438	<u>\$ 78,438</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 78,438</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Federal, state and local grants	\$ 8,000,000	\$ 8,115,439	\$ 10,750,742	\$ 2,635,303
Interest on investments	5,000	5,000	41,574	36,574
Other	-	-	139,975	139,975
Total revenues	<u>8,005,000</u>	<u>8,120,439</u>	<u>10,932,291</u>	<u>2,811,852</u>
Expenditures:				
Capital improvements	<u>11,027,000</u>	<u>11,142,439</u>	<u>12,738,455</u>	<u>(1,596,016)</u>
Excess (deficiency) of revenues over expenditures	(3,022,000)	(3,022,000)	(1,806,164)	1,215,836
Other financing sources (uses):				
Transfer in	37,376	37,376	-	(37,376)
Transfers out	(165,000)	(165,000)	(165,000)	-
Planned use of fund balance	<u>3,149,624</u>	<u>3,149,624</u>	<u>-</u>	<u>(3,149,624)</u>
Total other financing sources (uses)	<u>3,022,000</u>	<u>3,022,000</u>	<u>(165,000)</u>	<u>(3,187,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1,971,164)	<u>\$(1,971,164)</u>
Fund balance - beginning			<u>5,960,868</u>	
Fund balance - ending			<u>\$ 3,989,704</u>	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds				CON Project Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
ASSETS						
Cash and cash equivalents	\$ 427	\$ 109,194	\$ 128,822	\$ 441,164	\$ 28,462	\$ 708,069
Receivables, net						
Accounts	-	-	-	12,908	-	12,908
Less allowance	-	-	-	(12,908)	-	(12,908)
Due from other funds	15,652	800	-	13,745	-	30,197
Due from other governments	50,554	-	-	2,422	-	52,976
Prepays and other assets	11,361	-	-	696	-	12,057
Total assets	\$ 77,994	\$ 109,994	\$ 128,822	\$ 458,027	\$ 28,462	\$ 803,299
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 18,995	\$ 1,674	\$ -	\$ 669	\$ -	\$ 21,338
Accrued payroll and vacation	41,414	-	-	-	-	41,414
Deferred revenue	240	-	-	2,422	-	2,662
Due to other funds	812	-	6,420	12,484	-	19,716
Due to other governments	4,979	-	-	-	-	4,979
Total liabilities	66,440	1,674	6,420	15,575	-	90,109
Fund balances:						
Nonspendable	11,361	-	-	696	-	12,057
Restricted	-	108,320	122,402	-	28,462	259,184
Committed	193	-	-	441,756	-	441,949
Total fund balances	11,554	108,320	122,402	442,452	28,462	713,190
Total liabilities and fund balances	\$ 77,994	\$ 109,994	\$ 128,822	\$ 458,027	\$ 28,462	\$ 803,299

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2012

	Special Revenue Funds				CON Project Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
REVENUES						
State gasoline tax (local share)	\$ 263,809	\$ -	\$ -	\$ -	\$ -	\$ 263,809
Gasoline inspection fee (local share)	24,493	-	-	-	-	24,493
Federal grant	-	-	-	429,690	-	429,690
Fees	-	-	-	246,255	-	246,255
Interest on investments	152	99	103	687	92	1,133
Fines and confiscations	-	61,483	-	-	-	61,483
DEA federal shared proceeds	-	-	159,281	-	-	159,281
Other	15,119	14,504	-	3,064	-	32,687
Total revenues	<u>303,573</u>	<u>76,086</u>	<u>159,384</u>	<u>679,696</u>	<u>92</u>	<u>1,218,831</u>
EXPENDITURES						
Public Safety						
Drug abuse	-	75,163	-	-	-	75,163
DEA Drug	-	-	41,887	-	-	41,887
Transportation and Environment						
Street department	668,723	-	-	692,472	-	1,361,195
Street improvements	6,063	-	-	-	-	6,063
Capital outlays	-	-	60,941	11,899	405,469	478,309
Total expenditures	<u>674,786</u>	<u>75,163</u>	<u>102,828</u>	<u>704,371</u>	<u>405,469</u>	<u>1,962,617</u>
Excess (deficiency) of revenues over expenditures	(371,213)	923	56,556	(24,675)	(405,377)	(743,786)
OTHER FINANCING SOURCES						
Transfers in	222,619	-	-	-	-	222,619
Net change in fund balances	(148,594)	923	56,556	(24,675)	(405,377)	(521,167)
Fund balances - beginning	160,148	107,397	65,846	467,127	433,839	1,234,357
Fund balances - ending	<u>\$ 11,554</u>	<u>\$ 108,320</u>	<u>\$ 122,402</u>	<u>\$ 442,452</u>	<u>\$ 28,462</u>	<u>\$ 713,190</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 285,000	\$ 285,000	\$ 263,809	\$ (21,191)
Gasoline inspection fee (local share)	22,400	22,400	24,493	2,093
Interest on investments	20	20	152	132
Other	-	-	15,119	15,119
Total revenues	<u>307,420</u>	<u>307,420</u>	<u>303,573</u>	<u>(3,847)</u>
Expenditures:				
Street Department				
Salaries	278,785	292,951	292,749	202
Insurance	33,728	35,838	33,007	2,831
Payroll taxes	21,327	21,327	19,939	1,388
Repairs and maintenance	54,500	52,685	38,339	14,346
Retirement	32,757	34,835	34,834	1
Street lights	180,000	189,417	189,416	1
Supplies	28,545	44,357	44,256	101
Uniforms	5,200	4,820	4,807	13
Other	8,930	12,831	11,376	1,455
Street improvements	8,567	7,478	6,063	1,415
Total expenditures	<u>652,339</u>	<u>696,539</u>	<u>674,786</u>	<u>21,753</u>
Excess (deficiency) of revenues over expenditures	(344,919)	(389,119)	(371,213)	17,906
Other financing sources (uses):				
Transfers in	194,919	239,119	222,619	(16,500)
Planned use of fund balance	<u>150,000</u>	<u>150,000</u>	-	<u>(150,000)</u>
Total financing sources (uses)	344,919	389,119	222,619	(166,500)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(148,594)	<u>\$ (148,594)</u>
Fund balance - beginning			<u>160,148</u>	
Fund balance - ending			<u>\$ 11,554</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines and confiscations	\$ 40,000	\$ 40,000	\$ 61,483	\$ 21,483
Interest on investments	50	50	99	49
Other	15,000	15,000	14,504	(496)
Total revenues	<u>55,050</u>	<u>55,050</u>	<u>76,086</u>	<u>21,036</u>
Expenditures:				
Educational materials	6,000	6,000	4,215	1,785
Supplies and other	79,050	79,050	70,948	8,102
Total expenditures	<u>85,050</u>	<u>85,050</u>	<u>75,163</u>	<u>9,887</u>
Excess (deficiency) of revenues over expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>923</u>	<u>30,923</u>
Other financing sources (uses):				
Planned use of fund balance	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>923</u>	<u>\$ 923</u>
Fund balance - beginning			<u>107,397</u>	
Fund balance - ending			<u>\$ 108,320</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
Revenues:				
DEA shared proceeds	\$ 25,000	\$ 167,000	\$ 159,281	\$ (7,719)
Interest on investments	100	100	103	3
Other	17,000	-	-	-
Total revenues	<u>42,100</u>	<u>167,100</u>	<u>159,384</u>	<u>(7,716)</u>
Expenditures:				
DEA overtime expenses	17,000	-	-	-
Supplies and other	20,100	56,065	41,887	14,178
Capital outlays	45,000	111,035	60,941	50,094
Total expenditures	<u>82,100</u>	<u>167,100</u>	<u>102,828</u>	<u>64,272</u>
Excess (deficiency) of revenues over expenditures	<u>(40,000)</u>	<u>-</u>	<u>56,556</u>	<u>56,556</u>
Other financing sources (uses):				
Planned use of fund balance	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>56,556</u>	<u>\$ 56,556</u>
Fund balance - beginning			<u>65,846</u>	
Fund balance - ending			<u>\$ 122,402</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
Revenues:				
Commercial fees	\$ 162,000	\$ 162,000	\$ 163,499	\$ 1,499
Residential fees	80,000	80,000	82,756	2,756
Federal Grant	-	417,284	429,690	12,406
Interest on investments	1,000	1,000	687	(313)
Other	3,500	3,500	3,064	(436)
Total revenues	<u>246,500</u>	<u>663,784</u>	<u>679,696</u>	<u>15,912</u>
Expenditures:				
Salaries	26,805	26,805	26,805	-
Insurance	65,198	70,317	69,175	1,142
Payroll taxes	60,429	60,430	56,136	4,294
Retirement	6,596	6,596	269	6,327
Repairs and maintenance	135,979	542,843	526,505	16,338
Supplies	7,500	7,123	5,394	1,729
Administrative and other	10,617	9,344	8,188	1,156
Capital outlay	5,000	11,950	11,899	51
Total expenditures	<u>318,124</u>	<u>735,408</u>	<u>704,371</u>	<u>31,037</u>
Excess (deficiency) of revenues over expenditures	<u>(71,624)</u>	<u>(71,624)</u>	<u>(24,675)</u>	<u>46,949</u>
Other financing sources (uses):				
Planned use of fund balance	<u>71,624</u>	<u>71,624</u>	<u>-</u>	<u>(71,624)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(24,675)</u>	<u>\$ (24,675)</u>
Fund balance - beginning			<u>467,127</u>	
Fund balance - ending			<u>\$ 442,452</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CON Project Fund				
Revenues:				
Other	\$ -	\$ -	\$ 92	\$ 92
Expenditures:				
Capital improvements	433,839	433,839	405,469	28,370
Excess (deficiency) of revenues over expenditures	(433,839)	(433,839)	(405,377)	28,462
Other financing sources (uses):				
Planned Use of Fund Balance	433,839	433,839	-	(433,839)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(405,377)	<u>\$ (405,377)</u>
Fund balance - beginning			433,839	
Fund balance - ending			<u>\$ 28,462</u>	

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2012

<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
14.218	N/A	U.S. Department of Housing and Urban Development Community Development Block Grant	\$ 36,650	\$ 37,432	\$ 782	\$ -
14.218	N/A	Shelby County Department of Housing Pass-Through	-	-	10,180	10,180
			<u>36,650</u>	<u>37,432</u>	<u>10,962</u>	<u>10,180</u>
		U.S. Department of Transportation Highway Planning and Construction				
20.205	090086	American Reinvestment Recovery Act (ARRA)	252,357	252,357	-	-
20.205	090124	State of Tennessee Pass-Through	443,636	443,636	-	-
20.205	090009	Highway Planning and Construction	1,040,501	3,270,311	2,912,917	683,107
20.205	090010	State of Tennessee Pass-Through	1,433,852	5,676,150	7,209,446	2,967,148
			<u>3,170,346</u>	<u>9,642,454</u>	<u>10,122,363</u>	<u>3,650,255</u>
		U.S. Department of Energy Energy Efficiency and Conservation Block Grant				
81.128	4106		28,025	100,000	71,975	-
		U.S. Department of Homeland Security Public Assistance Grant FEMA				
97.036	FEMA-1909-DR-TN		289,192	289,192	60,759	60,759
		U.S. Department of Justice UASI - Shelby County Homeland Security Pass-Through				
97.067	N/A		-	21,526	32,525	10,999
16.710	2011UMWX0174	Community Oriented Policing Services	-	-	16,537	16,537
		Total U.S. Department of Justice	<u>-</u>	<u>21,526</u>	<u>49,062</u>	<u>27,536</u>
		U.S. Department of Agriculture Natural Resources Conservation Service				
10.923	N/A		-	429,690	429,690	-
		Total Federal Awards	3,524,213	10,520,294	10,744,811	3,748,730
N/A	N/A	Tennessee Emergency Management Agency Grant	30,160	-	-	30,160
		Total Federal and State Awards	<u>\$ 3,554,373</u>	<u>\$ 10,520,294</u>	<u>\$ 10,744,811</u>	<u>\$ 3,778,890</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, 2012

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, 2012. 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 FIDELITY BONDS OF PRINCIPAL OFFICERS

For the Year Ended June 30, 2012

	Amount of Bond	Surety
Mayor	\$ 100,000	TML Risk Management
City Clerk	\$ 100,000	TML Risk Management
City Court Clerk	\$ 100,000	TML Risk Management
Police Chief	\$ 100,000	TML Risk Management
Fire Chief	\$ 100,000	TML Risk Management
Seven Alderman (each)	\$ 100,000	TML Risk Management

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2012

<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	2/13/2013
TML Risk Management	8077 Wilkinsville Road	Property	\$ 7,186,275	2/13/2013
TML Risk Management	7942 Church Street	Property	\$ 1,429,375	2/13/2013
TML Risk Management	4836 Navy Road	Property	\$ 1,858,625	2/13/2013
TML Risk Management	6457 Navy Road	Property	\$ 364,775	2/13/2013
TML Risk Management	7265 Raleigh-Millington Road	Property	\$ 610,775	2/13/2013
TML Risk Management	4858 Navy Road	Property	\$ 3,375,450	2/13/2013
TML Risk Management	4701 Biloxi	Property	\$ 1,378,034	2/13/2013
TML Risk Management	7950 Memphis Rd	Property	\$ 4,584,825	2/13/2013
TML Risk Management	5140 Easley St	Property	\$ 64,200	2/13/2013
TML Risk Management		Sewer Plant	\$ 14,823,050	2/13/2013
		Water Plant - South	\$ 5,882,475	2/13/2013
		Water Tank	\$ 1,919,825	2/13/2013
		Water Treatment Plant	\$ 6,685,050	2/13/2013
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	2/13/2013
TML Risk Management		Workmen's compensation	\$ 1,000,000	
			(per occurrence)	2/13/2013
TML Risk Management		Employee dishonesty	\$ 100,000	2/13/2013

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Local taxes	\$ 6,351,200	\$ 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
State taxes (local share)	2,299,555	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
Federal and state grants	11,269,191	4,653,741	805,763	180,119	161,624	39,754	89,150	250,743	236,027	314,291
Fines and forfeitures	1,117,138	1,004,927	788,423	619,930	663,055	706,943	375,089	342,517	195,092	174,063
Licenses, permits and fees	1,932,305	1,668,104	1,659,488	1,646,805	1,744,600	1,629,845	1,122,546	984,916	956,290	857,928
Interest on investments	49,343	107,286	154,129	156,067	361,304	476,430	420,477	313,033	332,647	667,086
Increase (decrease) in fair value of investments	-	-	-	1,168	26,323	10,322	(22,727)	(3,538)	(165,281)	(358,750)
Recreation	389,020	303,377	273,334	142,315	110,872	89,659	76,669	61,774	52,300	52,162
Other	438,376	545,405	531,308	397,272	369,820	388,255	631,286	573,257	613,572	1,492,653
Total	23,846,128	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
Other Financing Sources										
Loan proceeds	-	6,000,000	-	5,000,000	-	-	-	-	2,596,399	2,864,762
Operating transfers in	786,511	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
Total revenues and other financing sources	\$ 24,632,639	\$ 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

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	\$ 1,886,636	\$ 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
Public Safety										
Police	3,291,353	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
Fire	3,173,985	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
Total public safety	<u>6,465,338</u>	<u>6,410,451</u>	<u>6,315,851</u>	<u>6,262,177</u>	<u>6,618,581</u>	<u>5,637,033</u>	<u>4,727,870</u>	<u>4,109,759</u>	<u>3,546,660</u>	<u>3,189,798</u>
Community Services										
Recreation	591,476	577,727	630,004	715,966	819,612	705,379	636,819	687,980	716,733	653,267
Baker Community Center	230,886	216,451	182,780	269,150	204,168	157,561	145,542	119,011	47,470	41,039
Sports Authority	368,468	419,202	299,911	-	-	-	-	-	-	-
Highways and streets	<u>1,190,830</u>	<u>1,213,380</u>	<u>1,112,695</u>	<u>985,116</u>	<u>1,023,780</u>	<u>862,940</u>	<u>782,361</u>	<u>806,991</u>	<u>764,203</u>	<u>694,306</u>
Transportation and Environment										
Public works	487,700	590,251	880,943	583,121	585,403	578,401	570,436	567,304	594,410	503,116
Sanitation	1,000,186	854,490	1,015,824	827,205	1,219,855	764,141	758,659	682,730	556,737	568,183
Highways and streets	1,367,258	946,176	816,981	765,789	785,327	675,986	641,280	598,980	504,205	540,359
Total transportation and environment	<u>2,855,144</u>	<u>2,390,917</u>	<u>2,713,748</u>	<u>2,176,115</u>	<u>2,590,585</u>	<u>2,018,528</u>	<u>1,970,375</u>	<u>1,849,014</u>	<u>1,655,352</u>	<u>1,611,658</u>
Capital projects	<u>13,216,764</u>	<u>6,476,889</u>	<u>1,245,844</u>	<u>276,215</u>	<u>335,423</u>	<u>555,731</u>	<u>456,129</u>	<u>1,074,553</u>	<u>2,966,097</u>	<u>1,982,794</u>
Debt service	<u>650,454</u>	<u>5,835,245</u>	<u>745,604</u>	<u>641,076</u>	<u>639,631</u>	<u>653,660</u>	<u>629,006</u>	<u>5,347,381</u>	<u>736,281</u>	<u>415,334</u>
Total expenditures	<u>26,265,166</u>	<u>24,298,751</u>	<u>13,991,251</u>	<u>12,254,735</u>	<u>13,166,214</u>	<u>11,553,191</u>	<u>10,333,048</u>	<u>14,728,064</u>	<u>11,338,762</u>	<u>9,324,624</u>
Other Financing Uses										
Operating transfers out	<u>786,511</u>	<u>1,240,955</u>	<u>1,181,314</u>	<u>1,170,577</u>	<u>1,220,631</u>	<u>1,053,660</u>	<u>900,206</u>	<u>5,572,381</u>	<u>1,101,047</u>	<u>876,834</u>
Total expenditures and other financing uses	<u>\$ 27,051,677</u>	<u>\$ 25,539,706</u>	<u>\$ 15,172,565</u>	<u>\$ 13,425,312</u>	<u>\$ 14,386,845</u>	<u>\$ 12,606,851</u>	<u>\$ 11,233,254</u>	<u>\$ 20,300,445</u>	<u>\$ 12,439,809</u>	<u>\$ 10,201,458</u>

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 166,983,760	\$ 169,234,480	\$ 182,557,550	\$ 174,747,779	\$ 155,641,650
Public utility	<u>9,017,800</u>	<u>9,043,000</u>	<u>9,490,000</u>	<u>9,357,031</u>	<u>8,534,562</u>
	<u>\$ 176,001,560</u>	<u>\$ 178,277,480</u>	<u>\$ 192,047,550</u>	<u>\$ 184,104,810</u>	<u>\$ 164,176,212</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 139,290,570	\$ 132,991,630	\$ 112,662,855	\$ 100,752,280	\$ 99,118,613
Public utility	<u>8,178,224</u>	<u>7,210,450</u>	<u>7,247,640</u>	<u>7,247,640</u>	<u>8,046,676</u>
	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>	<u>\$ 107,999,920</u>	<u>\$ 107,165,289</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2012

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, 2012

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>
2011	\$ 58,601
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, 2012

	Total	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property taxes receivable - beginning of year	\$ 2,396,230	\$ -	\$ 2,192,817	\$ 120,871	\$ 58,955	\$ 9,095	\$ 3,809	\$ 2,343	\$ 1,624	\$ 1,157	\$ 5,559
ADD:											
Tax levied:	2,164,823	2,164,823	-	-	-	-	-	-	-	-	-
Adjustments	140,370	-	136,665	1,542	310	1,853	-	-	-	-	-
Total Additions	<u>2,305,193</u>	<u>2,164,823</u>	<u>136,665</u>	<u>1,542</u>	<u>310</u>	<u>1,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCT:											
Collections - Net of Refunds	2,150,204	-	2,059,163	62,840	26,509	523	871	175	123	-	-
Releases	159,436	-	139,370	2,587	14,574	1,206	396	15	15	65	1,208
Total Deductions	<u>2,309,640</u>	<u>-</u>	<u>2,198,533</u>	<u>65,427</u>	<u>41,083</u>	<u>1,729</u>	<u>1,267</u>	<u>190</u>	<u>138</u>	<u>65</u>	<u>1,208</u>
Property taxes receivable - end of year	2,391,783	2,164,823	130,949	56,986	18,182	9,219	2,542	2,153	1,486	1,092	4,351
Less: Allowance for uncollectibles	(181,916)	(86,593)	(54,999)	(23,934)	(7,636)	(3,872)	(1,068)	(904)	(624)	(459)	(1,827)
Property taxes receivable, net	<u>\$ 2,209,867</u>	<u>\$ 2,078,230</u>	<u>\$ 75,950</u>	<u>\$ 33,052</u>	<u>\$ 10,546</u>	<u>\$ 5,347</u>	<u>\$ 1,474</u>	<u>\$ 1,249</u>	<u>\$ 862</u>	<u>\$ 633</u>	<u>\$ 2,524</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2012

(All amounts in gallons)

A Water Treated and Purchased:		
B	Water Pumped	368,984,000
C	Water Purchased { Route 016 }	4,162,840
D	Total Water Treated and Purchased	373,146,840
	(Sum Line B and C)	
 E Accounted for Water:		
F	Water Sold	338,238,690
G	Metered for Consumption (in house usage)	20,442,825
H	Fire Department Usage	54,700
I	Flushing	1,701,000
J	Tank Cleaning/Filling	1,502,676
K	Street Cleaning	3,100
L	Bulk Sales	0
M	Water Bill Adjustments	<u>(99,308)</u>
N	Total Accounted for Water	361,843,683
	(Sum Lines F thru M)	
O	Unaccounted for Water	11,303,157
	(Line D minus Line N)	
P	Percent Unaccounted for Water	3.029%
	(Line O divided by Line D times 100)	

Q. Other (Explain)

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.



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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, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 20, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 20, 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 Mikusall, PLLC

Memphis, Tennessee
December 20, 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 City of Millington, Tennessee's (the "City") compliance 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, 2012. 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, 2012.

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance, and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Watkins Mikusall, PLLC

Memphis Tennessee
December 20, 2012

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's 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
 - 10.923 – Natural Resources Conservation Service
8. The threshold for distinguishing between Type A and B programs was \$322,344.
9. The City was not determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None reported