

CITY OF MILLINGTON, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2017



CITY OF MILLINGTON, TENNESSEE
TABLE OF CONTENTS

	Page
<u>INTRODUCTORY SECTION</u>	
Roster of Elected and Appointed Officials	1
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
– General Purpose School Fund	21
Proprietary Fund Financial Statements	
Statement of Net Position	25
Statement of Revenues, Expenses, and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
City of Millington Public Employee Pension Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	69
– Schedule of Contributions	70
MMS Teacher Legacy Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	71
– Schedule of Contributions	72
MMS Teacher Retirement Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	73
– Schedule of Contributions	74
MMS Political Subdivision Pension Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	75
– Schedule of Contributions	76
City of Millington OPEB	
– Schedule of Funding Progress	77

**CITY OF MILLINGTON, TENNESSEE
TABLE OF CONTENTS (CONTINUED)**

	Page
MMS OPEB	
– Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	78
– Schedule of Contributions	79
– Schedule of Investment Returns	80
– Schedule of Funding Progress	81
OTHER SUPPLEMENTARY INFORMATION	
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Nonmajor Governmental Fund Combining Financial Statements	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83
Nonmajor Governmental Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
– State Street Aid Fund	84
– Sanitation Fund	85
– Drug Fund	86
– DEA Drug Fund	87
– Storm Water Fund	88
– School Federal Projects Fund	89
– School Cafeteria Fund	90
– School Capital Projects Fund	91
Major Governmental Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– Capital Improvements Fund	92
Agency Fund Combining Financial Statements	
Statement of Changes in Assets and Liabilities	93
SUPPORTING SCHEDULES (UNAUDITED)	
Schedule of Long-term Debt, Principle and Interest Requirements	
– Governmental Activities	94
– Business-type Activities	95
Schedule of Utility Rate Structure and Number of Customers	96
Schedule of Fidelity Bonds of Principal Officials	97
Schedules of Property Taxes	98
Schedule of Unaccounted for Water	99
 <u>GOVERNMENT AUDITING STANDARDS SECTION</u>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	101
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	102
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	105
Schedule of Findings and Questioned Costs	107
Summary of Prior Year Audit Findings	108

INTRODUCTORY SECTION

CITY OF MILLINGTON, TENNESSEE
ROSTER OF ELECTED AND APPOINTED OFFICIALS
June 30, 2017

CITY OF MILLINGTON BOARD OF MAYOR AND ALDERMEN

Terry Jones, Mayor
Thomas McGhee, Vice Mayor
Bethany Huffman, Alderman
Al Bell, Alderman

Frankie Dakin, Alderman
Larry Dagen, Alderman
Don Lowry, Alderman
Mike Caruthers, Alderman

CITY OF MILLINGTON OFFICIALS

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

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

MILLINGTON MUNICIPAL SCHOOLS BOARD OF EDUCATION

Cody Childress, Chairperson
Cecilia Haley, Vice Chairperson
Roger Christopher, Board Member
Mark Coulter, Board Member

Christopher Denson, Board Member
Larry Jackson, Board Member
Ronald Mackin, Board Member

MILLINGTON MUNICIPAL SCHOOLS OFFICIALS

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

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

* Employee designated with financial oversight responsibility to meet the requirements of *Tennessee Code Annotated* Section 6-56-401 et seq.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Millington Municipal Schools (the "School"), which includes the general purpose school fund, a major fund, and the remaining funds of the School. The School funds are presented as special revenue funds in the financial statements of the City and represent 7 percent, 57 percent, and 67 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors who report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the City of Millington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Millington's internal control over financial reporting and compliance.



Memphis, Tennessee
December 20, 2017

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

Management's Discussion and Analysis

As management of the City of Millington (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$117,803,611 (net position). Of this amount, \$20,017,585 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2017, the City's governmental funds reported total fund balances of \$20,442,227. Of this amount, \$2,256,768 (unassigned fund balances) may be used to meet the general government's spending requirements.
- At the end of the current fiscal year, fund balance of the General Fund was \$7,504,692. This included a commitment of \$3,600,635 for financial stabilization, \$1,000,000 for emergencies and \$380,003 for library construction. The unassigned fund balance of \$2,256,768 represents 19% of total General Fund budgeted expenditures and transfers for FY18.
- During the fiscal year, the City drew \$2,377,545 in general obligation notes payable for governmental capital improvements, which were authorized in the previous year. The City retired \$842,021 of principal in notes payable and debt from settlement with Shelby County Board of Education.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the year ended June 30, 2017. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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

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

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

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

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement is included in the basic financial statements for the General Fund and the General Purpose School Fund on pages 17 through 24 and for all other governmental funds on pages 83 through 91 to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented on pages 13 and 15.

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

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

The basic proprietary fund financial statements are presented on pages 25 through 27.

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

The basic fiduciary fund financial statements are presented on pages 28 and 29.

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 30 through 68 of this report.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, certain required supplementary information regarding the City's and the Millington Municipal School District's pension plans and other post-employment benefits is shown on pages 69 through 81.

Other Information. This report also presents certain information concerning the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. This information is presented in Note 4 through Note 6 of this report.

New Governmental Accounting Standards Board ("GASB") Pronouncements. The City has adopted three (3) new GASB Pronouncements and will adopt another one in FY18. These relate to pensions, other postemployment benefits and tax abatement disclosures. More information on these standards is presented in Note 1E.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$117,803,611 at June 30, 2017.

Condensed Statement of Net Position
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 25,784	\$ 22,429	\$ 8,789	\$ 8,042	\$ 34,573	\$ 30,471
Capital assets	93,388	90,492	15,460	15,654	108,848	106,146
Total assets	119,172	112,921	24,249	23,696	143,421	136,617
Deferred outflows of resources	6,920	4,422	137	71	7,057	-
Noncurrent liabilities	21,144	16,043	3,749	3,549	24,893	19,592
Other liabilities	1,523	3,241	97	271	1,620	3,512
Total liabilities	22,667	19,284	3,846	3,820	26,513	23,104
Deferred inflows of resources	6,048	5,151	113	50	6,161	5,201
Net position:						
Invested in capital assets, net of related debt	83,319	82,261	12,902	12,970	96,221	95,231
Restricted	1,565	1,037	-	-	1,565	1,037
Unrestricted	12,493	9,610	7,525	6,927	20,018	16,537
Total net position	\$ 97,377	\$ 92,908	\$ 20,427	\$ 19,897	\$ 117,804	\$ 112,805

By far the largest portion of the City's net position (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,017,585) may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Condensed Statement of Activities (dollars expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues :						
Program Revenues :						
Charges for services	\$ 2,397	\$ 2,504	\$ 3,143	\$ 3,128	\$ 5,540	\$ 5,632
Operating grants and contributions	29,926	17,263	-	-	29,926	17,263
Capital grants and contributions	2,183	2,753	-	18	2,183	2,771
General Revenues :						
Local taxes	9,011	7,119	-	-	9,011	7,119
Intergovernmental revenues	2,195	14,068	-	-	2,195	14,068
Interest on Investments	9	6	6	3	15	9
Gain on sale of assets	61	-	6	-	67	-
Other revenue	621	1,086	-	4	621	1,090
Total Revenues	<u>46,403</u>	<u>44,799</u>	<u>3,155</u>	<u>3,153</u>	<u>49,558</u>	<u>47,952</u>
Expenses :						
General government	2,483	2,455	-	-	2,483	2,455
Public safety	5,493	5,697	-	-	5,493	5,697
Community services	2,703	1,242	-	-	2,703	1,242
Transportation and environment	3,472	2,986	-	-	3,472	2,986
Education	27,378	25,764	-	-	27,378	25,764
Interest on long-term debt	405	332	-	-	405	332
Bond issuance costs	-	36	-	-	-	36
Water	-	-	1,143	1,095	1,143	1,095
Sewer	-	-	1,482	1,419	1,482	1,419
Total Expenses	<u>41,934</u>	<u>38,512</u>	<u>2,625</u>	<u>2,514</u>	<u>44,559</u>	<u>41,026</u>
Special Item:						
Impairment of MMS capital assets	-	(1,126)	-	-	-	(1,126)
Increase/(Decrease) in Net Position	4,469	5,161	530	639	4,999	5,800
Net Position - Beginning	92,908	87,747	19,897	19,258	112,805	107,005
Net Position - Ending	<u>\$ 97,377</u>	<u>\$ 92,908</u>	<u>\$ 20,427</u>	<u>\$ 19,897</u>	<u>\$ 117,804</u>	<u>\$ 112,805</u>

Governmental activities. Governmental activities increased the City's net position by \$4,468,676. The significant increase in Operating Grants and Contributions is related to the decrease in Intergovernmental revenues with both associated with a change in classification related to schools. The Special Item is an impairment loss of \$1,126,042 due to the permanent closing of the buildings and subsequent demolition during FY2016.

Business-type activities. Business-type activities increased the City's net position by \$529,624. The Water Fund increased by \$154,959 in net position. The Sewer Fund increased by \$374,665 in net position due to controlling of expenses.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The basic governmental fund financial statements are presented beginning on page 13.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$20,442,227, an increase of \$3,493,252 in comparison with the prior year. Approximately 11% of this total amount (\$2,256,768) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of non-spendable, \$316,571, restricted, \$1,383,194, committed, \$4,980,638, and assigned \$11,505,056. The General Fund is the chief operating fund of the City.

At June 30, 2017, unassigned fund balance of the General Fund was \$2,256,768, while the total fund balance reached \$7,504,692. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance and the total fund balance to total fund expenditures including transfers. Unassigned fund balance represents 16% of total General Fund Expenditures and Transfers Out, while total fund balance represents 53% of that same amount.

The fund balance of the City's General Fund decreased by \$1,909,606 during the fiscal year ended June 30, 2017 compared to a \$582,273 increase the prior year. This decrease was caused primarily by the intentional decision of the Board of Mayor and Aldermen to transfer \$3,500,000 to the Capital Projects Fund for pay-as-you-go improvements, which was \$2,300,000 more than in FY16. Without this transfer, revenues would have exceeded expenditures and transfers for the year.

The increase in the fund balance for the General Purpose School Fund of \$619,033 was the result of consistent conservative control of expenditures.

The increase in fund balance for the Capital Improvements Fund of \$3,665,399 was primarily the result of transfers in from the General Fund for future capital projects.

The increase in the fund balance for Other Governmental Funds was \$1,118,426. The most significant portion of the increase is \$947,497 in the School Capital Projects Fund for future construction and renovations of school buildings.

Proprietary funds. The City's Water and Sewer Funds both had a positive change in net position for FY17. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by 16% or \$2,403,895. When excluding \$2,952,498 budgeted as planned use of fund balance, revenues actually exceeded budget by 4.7% (548,603). The overage was a combination of the following categories:

- Property Taxes and Local Taxes over budget by \$297,621.
- Intergovernmental revenues were \$94,884 over budget due to higher than expected collections from state sales taxes and an increased rate for ambulance fees

General Fund expenditures were lower than budgeted by 3% or \$332,432 and transfers to other funds were lower by \$137,054 for a combined amount of \$469,486. The operating savings were due to a concerted effort of City government to control costs. The largest positive variance was in General Government in the amount of \$175,057. Savings were achieved in all other functions as well.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$108,848,148 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, infrastructure, machinery, equipment, and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$2,702,598. Governmental activities increased \$2,896,016 or 3.2% and business activities decreased \$193,418 or 1.2%.

Additional information on the City's capital assets can be found in Note 3-D.

Condensed Statement of Capital Assets
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,296	\$ 6,061	\$ 727	\$ 727	\$ 7,023	\$ 6,788
Buildings and improvements	57,276	54,421	28,559	28,035	85,835	82,456
Infrastructure	35,671	31,477	-	-	35,671	31,477
Furnishing and equipment	1,938	1,706	3,898	3,898	5,836	5,604
Vehicles	4,090	3,789	762	688	4,852	4,477
Construction in process	2,153	4,697	29	23	2,182	4,720
	107,424	102,151	33,975	33,371	141,399	135,522
Less accumulated depreciation	(14,036)	(11,659)	(18,515)	(17,717)	(32,551)	(29,376)
Total capital assets	<u>\$ 93,388</u>	<u>\$ 90,492</u>	<u>\$ 15,460</u>	<u>\$ 15,654</u>	<u>\$ 108,848</u>	<u>\$ 106,146</u>

Noncurrent Liabilities. At June 30, 2017 the City had total noncurrent liabilities of \$24,893,559. Of this amount \$21,144,236 comprises debt for governmental activities and \$3,749,323 represents debt for business-type activities.

Condensed Statement of Outstanding Debt
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation notes payable	\$ 10,068	\$ 8,230	\$ -	\$ -	\$ 10,068	\$ 8,230
Shelby County Board of Education settlement liability	1,823	2,000	-	-	1,823	2,000
Notes payable - construction	-	-	2,558	2,684	2,558	2,684
Compensated absences	371	363	72	63	443	426
Net other post employment benefit obligation	7,105	6,035	1,119	982	8,224	7,017
Net pension liability	1,777	185	-	9	1,777	194
Total long-term liabilities	<u>\$ 21,144</u>	<u>\$ 16,813</u>	<u>\$ 3,749</u>	<u>\$ 3,738</u>	<u>\$ 24,893</u>	<u>\$ 20,551</u>

Although the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount and type of debt it may issue. The City's full faith, credit and taxing power are pledged to the repayment of all general obligation principal and interest. Additional information on the City's long-term debt can be found in Note 3-E.

CITY OF MILLINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's Budget for the 2018 fiscal year are more fully discussed in the Budget document and include:

- The Board of Mayor and Aldermen approved a tax rate to fund FY18 expenditures of \$1.53 per \$100 of assessed value. While this rate is the same as the prior year, there was a countywide reappraisal and the city calculated a certified rate of \$1.43.
- City service rates for water, sewer, and storm water increased by 12.8%, 4.5%, 52%, respectively, while rates for sanitation remain the same.
- The City has budgeted for a \$5,000,000 debt issue for public improvements, with \$1,800,000 to be drawn in FY18 and a \$5,000,000 debt issue for construction of a new building for schools, with the school system responsible for repayment of the debt.
- The City will continue to reengineer the systems and processes in the delivery of its services and thereby control operating expenses.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Director of Finance and Administration, City of Millington, 7930 Nelson Road, Millington, Tennessee 38053. The Comprehensive Annual Financial Report as of June 30, 2017, Fiscal Year 2018 Approved Budget Document and other information about the City may be found on the City's website, www.millingtontn.gov.

BASIC FINANCIAL STATEMENTS

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 18,719,130	\$ 8,291,766	\$ 27,010,896
Receivables			
Taxes	3,200,097	-	3,200,097
Fines and fees	1,896,334	534,217	2,430,551
Other	113	7,490	7,603
Less allowance for doubtful accounts	(1,802,417)	(242,638)	(2,045,055)
Due from other governments	3,439,783	64,293	3,504,076
Internal balances	(79,469)	79,469	-
Inventories	59,810	-	59,810
Restricted cash	55,611	-	55,611
Prepaid items	256,761	53,613	310,374
Capital assets, not being depreciated	8,448,751	756,136	9,204,887
Capital assets, being depreciated, net	84,939,070	14,704,191	99,643,261
Net pension asset	39,029	203	39,232
Total assets	119,172,603	24,248,740	143,421,343
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	6,919,650	136,976	7,056,626
LIABILITIES			
Accounts payable and accrued liabilities	1,201,238	94,577	1,295,815
Accrued interest payable	153,714	-	153,714
Customer deposits	-	2,067	2,067
Unearned revenue	168,083	-	168,083
Noncurrent liabilities:			
Due within one year	838,169	127,068	965,237
Due in more than one year	11,423,497	2,503,148	13,926,645
Net pension liability	1,777,192	-	1,777,192
Net OPEB obligation	7,105,378	1,119,107	8,224,485
Total liabilities	22,667,271	3,845,967	26,513,238
DEFERRED INFLOWS OF RESOURCES			
Current property taxes assessed for subsequent period	2,884,223	-	2,884,223
Related to pension	3,164,245	112,652	3,276,897
Total deferred inflows of resources	6,048,468	112,652	6,161,120
NET POSITION			
Net investment in capital assets	83,319,412	12,902,181	96,221,593
Restricted for:			
Net pension asset	39,029	203	39,232
Transportation and environment	882,987	-	882,987
Public safety programs	305,406	-	305,406
Education	336,808	-	336,808
Unrestricted	12,492,872	7,524,713	20,017,585
Total net position	\$ 97,376,514	\$ 20,427,097	\$ 117,803,611

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 2,482,736	\$ 158,036	\$ -	\$ -	\$ (2,324,700)	\$ -	\$ (2,324,700)
Public safety	5,492,738	555,498	70,820	-	(4,866,420)	-	(4,866,420)
Transportation and environment	3,471,958	1,267,752	-	2,182,798	(21,408)	-	(21,408)
Community services	2,703,618	329,289	36,998	-	(2,337,331)	-	(2,337,331)
Education	27,377,661	86,820	29,818,275	-	2,527,434	-	2,527,434
Interest on long-term debt	405,204	-	-	-	(405,204)	-	(405,204)
Total governmental activities	41,933,915	2,397,395	29,926,093	2,182,798	(7,427,629)	-	(7,427,629)
Business-type Activities:							
Water	1,142,618	1,293,275	-	-	-	150,657	150,657
Sewer	1,482,125	1,849,562	-	-	-	367,437	367,437
Total business-type activities	2,624,743	3,142,837	-	-	-	518,094	518,094
Total primary government	\$ 44,558,658	\$ 5,540,232	\$ 29,926,093	\$ 2,182,798	(7,427,629)	518,094	(6,909,535)
General revenues:							
Property taxes					2,925,822	-	2,925,822
Local option sales tax					5,075,520	-	5,075,520
Other taxes							
Wholesale liquor and beer taxes					439,206	-	439,206
Business and hotel-motel taxes					570,176	-	570,176
Intergovernmental revenues:							
State sales tax					923,725	-	923,725
State income tax					194,522	-	194,522
State gas tax					330,601	-	330,601
Other state revenue					745,205	-	745,205
Other revenue					621,340	-	621,340
Interest on investments					9,099	5,687	14,786
Gain on sale of capital assets					61,089	5,843	66,932
Total general revenues and transfers					11,896,305	11,530	11,907,835
Change in net position					4,468,676	529,624	4,998,300
Net position - beginning					92,907,838	19,897,473	112,805,311
Net position - ending					\$ 97,376,514	\$ 20,427,097	\$ 117,803,611

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	General Purpose School Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,676,505	\$ 4,109,333	\$ 4,238,248	\$ 3,695,044	\$ 18,719,130
Receivables					
Property taxes	3,200,097	-	-	-	3,200,097
Fines and fees	1,607,580	-	-	276,817	1,884,397
Other	113	11,936	-	-	12,049
Less allowance for doubtful accounts	(1,657,190)	-	-	(145,227)	(1,802,417)
Due from other governments	1,166,712	1,484,077	364,255	424,741	3,439,785
Due from other funds	51,292	325,633	1,595	-	378,520
Inventory	34,811	-	-	24,999	59,810
Restricted cash	55,611	-	-	-	55,611
Prepaid Items	232,475	1,542	-	22,744	256,761
Total assets	\$ 11,368,006	\$ 5,932,521	\$ 4,604,098	\$ 4,299,118	\$ 26,203,743
LIABILITIES					
Accounts payable and accrued liabilities	\$ 733,201	\$ 341,824	\$ 53,030	\$ 73,185	\$ 1,201,240
Due to other funds	74,019	-	-	383,970	457,989
Unearned revenue	14,188	-	152,854	-	167,042
Total liabilities	821,408	341,824	205,884	457,155	1,826,271
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Property taxes	3,041,906	356,349	-	-	3,398,255
Grants	-	242,949	293,001	1,040	536,990
Total deferred inflows of resources	3,041,906	599,298	293,001	1,040	3,935,245
FUND BALANCES					
Nonspendable	267,286	1,542	-	47,743	316,571
Restricted	-	9,619	-	1,373,575	1,383,194
Committed	4,980,638	-	-	-	4,980,638
Assigned	-	4,980,238	4,105,213	2,419,605	11,505,056
Unassigned	2,256,768	-	-	-	2,256,768
Total fund balances	7,504,692	4,991,399	4,105,213	3,840,923	20,442,227
Total liabilities, deferred inflows of resources and fund balances	\$ 11,368,006	\$ 5,932,521	\$ 4,604,098	\$ 4,299,118	\$ 26,203,743

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2017

Total fund balances, governmental funds		\$ 20,442,227
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Add: governmental funds capital assets	\$ 107,423,758	
Less: accumulated depreciation	<u>(14,035,937)</u>	93,387,821
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		1,049,982
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: bonds payable	(10,068,409)	
Less: settlement obligation, net of unamortized discount	<u>(1,822,400)</u>	(11,890,809)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Less: accrued interest payable	(153,714)	
Less: compensated absences payable	<u>(370,857)</u>	(524,571)
(5) Net pension assets, deferred outflows of resources, other post-employment benefit obligations, and deferred inflows of resources related to post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Add: net pension asset	39,029	
Less: net pension liability	(1,777,192)	
Less: net other postemployment obligation	<u>(7,105,378)</u>	(8,843,541)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	6,919,650	
Less: deferred inflows of resources related to pensions	<u>(3,164,245)</u>	<u>3,755,405</u>
Net position of governmental activities		<u>\$ 97,376,514</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, 2017

	General Fund	General Purpose School Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,869,645	\$ -	\$ -	\$ -	\$ 2,869,645
Local sales taxes	6,084,902	-	-	-	6,084,902
Intergovernmental	1,863,452	23,345,706	-	423,540	25,632,698
Intergovernmental gas tax	-	-	-	330,601	330,601
Licenses and permits	389,968	-	-	-	389,968
Charges for services	329,669	13,728	-	1,122,261	1,465,658
Fines, forfeitures, and penalties	503,261	-	-	52,237	555,498
Grants	57,818	488,431	2,109,690	3,998,449	6,654,388
Interest on investments	8,069	3,298	404	735	12,506
Other	130,307	234,200	-	3,228	367,735
Total revenues	<u>12,237,091</u>	<u>24,085,363</u>	<u>2,110,094</u>	<u>5,931,051</u>	<u>44,363,599</u>
EXPENDITURES					
Current					
General government	1,854,490	-	-	-	1,854,490
Public safety	5,349,610	-	-	21,056	5,370,666
Transportation and environment	727,030	-	-	1,373,778	2,100,808
Community services	1,214,515	-	-	-	1,214,515
Education	-	21,388,978	-	3,663,666	25,052,644
Debt Service					
Principal	539,500	230,219	-	-	769,719
Interest and fiscal charges	281,136	-	-	-	281,136
Capital outlays	-	721,670	4,322,240	1,622,159	6,666,069
Total expenditures	<u>9,966,281</u>	<u>22,340,867</u>	<u>4,322,240</u>	<u>6,680,659</u>	<u>43,310,047</u>
Excess (deficiency) of revenues over (under) expenditures	2,270,810	1,744,496	(2,212,146)	(749,608)	1,053,552
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	2,377,545	-	2,377,545
Sale of capital assets	49,803	1,066	-	11,286	62,155
Transfers in	-	823,471	3,500,000	1,950,000	6,273,471
Transfers out	(4,230,219)	(1,950,000)	-	(93,252)	(6,273,471)
Total other financing sources and uses	<u>(4,180,416)</u>	<u>(1,125,463)</u>	<u>5,877,545</u>	<u>1,868,034</u>	<u>2,439,700</u>
Net change in fund balances	(1,909,606)	619,033	3,665,399	1,118,426	3,493,252
Fund balances - beginning	<u>9,414,298</u>	<u>4,372,366</u>	<u>439,814</u>	<u>2,722,497</u>	<u>16,948,975</u>
Fund balances - ending	<u>\$ 7,504,692</u>	<u>\$ 4,991,399</u>	<u>\$ 4,105,213</u>	<u>\$ 3,840,923</u>	<u>\$ 20,442,227</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, 2017

Net change in fund balance - total governmental funds		\$ 3,493,252
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Amounts reported for governmental activities in the statement of activities are different because:

(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Add: capital outlays capitalized	\$ 6,870,029	
Less: depreciation expense	(2,594,961)	
Less: loss from the disposition of capital assets	<u>(1,379,052)</u>	2,896,016
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		534,015
(3) The issuance of long-term debt (e.g. bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on long-term debt	716,729	
Less: proceeds from debt issuance	<u>(2,377,545)</u>	(1,660,816)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	(71,078)	
Change in compensated absences	(8,057)	
Change in net pension asset	19,728	
Change in net pension liability	(1,591,973)	
Change in other postemployment benefits obligation	(1,070,523)	
Change in deferred outflows related to pensions	2,497,238	
Change in deferred inflows related to pensions	<u>(569,126)</u>	<u>(793,791)</u>
Change in net position of governmental activities		<u>\$ 4,468,676</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
PROPERTY TAXES				
Property taxes	\$ 2,596,633	\$ 2,635,633	\$ 2,585,344	\$ (50,289)
Payments in lieu of taxes	257,493	257,493	265,242	7,749
Property tax interest and penalties	30,000	30,000	19,059	(10,941)
Total property taxes	2,884,126	2,923,126	2,869,645	(53,481)
LOCAL TAXES				
Local sales tax	4,730,000	4,730,000	5,075,520	345,520
Wholesale beer and liquor tax	470,000	470,000	439,206	(30,794)
Business tax	285,800	363,800	381,944	18,144
Hotel/motel tax	170,000	170,000	188,232	18,232
Total local taxes	5,655,800	5,733,800	6,084,902	351,102
INTERGOVERNMENTAL				
State of Tennessee shared revenues				
Sales tax	869,000	869,000	923,725	54,725
Income tax	10,000	10,000	(428)	(10,428)
Beer tax	5,500	5,500	5,375	(125)
Liquor tax	23,000	23,000	37,628	14,628
Bank excise tax	130,000	17,500	20,864	3,364
Receipts in lieu of tax - TVA	130,244	130,244	131,083	839
Public safety pay supplements	-	23,400	23,400	-
Receipts in lieu of tax	155,000	155,000	151,511	(3,489)
Fire and ambulance fees	424,924	534,924	570,294	35,370
Total state shared taxes	1,747,668	1,768,568	1,863,452	94,884
LICENSES AND PERMITS				
Building and related permits	16,000	16,000	26,424	10,424
Beer and liquor licenses	86,100	86,100	106,814	20,714
Automobile registrations	225,600	225,600	231,932	6,332
CATV franchise fees	38,000	38,000	24,798	(13,202)
Total licenses and permits	365,700	365,700	389,968	24,268
CHARGES FOR SERVICES				
Recreation fees for services	181,600	181,600	219,057	37,457
Recreation rental income	90,500	90,500	88,771	(1,729)
Library fees	17,150	17,150	18,571	1,421
Lot mowing fees	-	-	2,890	2,890
Animal control fees	-	-	380	380
Total charge for services	289,250	289,250	329,669	40,419
FINES, FORFEITURES, AND PENALTIES	527,300	481,300	503,261	21,961

(CONTINUED ON NEXT PAGE)

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
GRANTS	\$ 45,700	\$ 53,579	\$ 57,818	\$ 4,239
INTEREST ON INVESTMENTS	2,500	2,500	8,069	5,569
OTHER	70,665	70,665	130,307	59,642
PLANNED USE OF FUND BALANCE	48,884	2,952,498	-	(2,952,498)
Total Revenues	11,637,593	14,640,986	12,237,091	(2,403,895)
EXPENDITURES				
GENERAL GOVERNMENT				
Finance and Administration				
Personnel costs	582,330	512,661	491,636	21,025
Contractual services	322,195	263,945	259,528	4,417
Materials and supplies	49,300	64,267	53,277	10,990
Other charges	75,000	67,324	63,939	3,385
Grants	18,000	18,000	18,000	-
Capital outlay	30,612	67,485	41,491	25,994
	1,077,437	993,682	927,871	65,811
General Government				
Personnel costs	324,000	324,000	243,554	80,446
Contractual services	14,673	4,676	4,675	1
Other charges	192,431	213,662	213,619	43
Grants	-	10,000	10,000	-
Capital outlay	-	26,668	26,667	1
	531,104	579,006	498,515	80,491
Courts				
Personnel costs	207,072	207,251	204,249	3,002
Contractual services	2,500	5,400	4,475	925
Materials and supplies	25,100	25,100	19,603	5,497
Other charges	13,700	13,700	6,944	6,756
Capital outlay	-	724	721	3
	248,372	252,175	235,992	16,183
Codes and Economic Development				
Personnel costs	111,974	104,038	98,681	5,357
Contractual services	30,000	37,906	37,810	96
Materials and supplies	33,000	45,127	38,803	6,324
Other charges	33,150	7,105	6,858	247
Capital outlay	-	5,348	5,348	-
	208,124	199,524	187,500	12,024

(CONTINUED ON NEXT PAGE)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Personnel				
Materials and supplies	\$ 8,000	\$ 3,701	\$ 3,701	\$ -
Other charges	9,500	1,329	781	548
Capital outlay	1,000	130	130	-
	<u>18,500</u>	<u>5,160</u>	<u>4,612</u>	<u>548</u>
Total general government	2,083,537	2,029,547	1,854,490	175,057
PUBLIC SAFETY				
Police Department				
Personnel costs	2,447,446	2,296,787	2,296,785	2
Contractual services	-	3,300	3,300	-
Materials and supplies	278,350	329,823	329,420	403
Other charges	90,350	97,885	97,763	122
Capital outlay	22,000	36,292	36,291	1
	<u>2,838,146</u>	<u>2,764,087</u>	<u>2,763,559</u>	<u>528</u>
Fire Department				
Personnel costs	1,730,252	1,711,445	1,710,501	944
Contractual services	532,166	643,167	640,974	2,193
Materials and supplies	152,500	148,039	143,604	4,435
Other charges	64,600	69,550	67,287	2,263
Capital outlay	27,000	24,466	23,685	781
	<u>2,506,518</u>	<u>2,596,667</u>	<u>2,586,051</u>	<u>10,616</u>
Total public safety	5,344,664	5,360,754	5,349,610	11,144
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Personnel costs	707,064	631,644	579,232	52,412
Materials and supplies	90,400	83,470	54,581	28,889
Other charges	26,600	25,160	18,968	6,192
Capital outlay	51,500	83,023	74,249	8,774
	<u>875,564</u>	<u>823,297</u>	<u>727,030</u>	<u>96,267</u>
Total transportation and environment	875,564	823,297	727,030	96,267
COMMUNITY SERVICES				
Library				
Contractual services	316,648	316,648	316,648	-
Materials and supplies	17,400	26,544	25,733	811
Other charges	23,765	23,265	20,374	2,891
	<u>357,813</u>	<u>366,457</u>	<u>362,755</u>	<u>3,702</u>

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The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Arts, Recreation, and Parks				
Personnel costs	\$ 509,685	\$ 506,067	\$ 498,063	\$ 8,004
Contractual services	57,841	40,458	35,034	5,424
Materials and supplies	158,817	177,062	158,157	18,905
Other charges	183,700	139,452	129,110	10,342
Grants	20,000	20,000	20,000	-
Capital outlay	14,982	14,982	11,396	3,586
	<u>945,025</u>	<u>898,021</u>	<u>851,760</u>	<u>46,261</u>
Total community services	1,302,838	1,264,478	1,214,515	49,963
DEBT SERVICE				
Principal	539,500	539,500	539,500	-
Interest and fiscal charges	374,217	281,137	281,136	1
Total debt service	<u>913,717</u>	<u>820,637</u>	<u>820,636</u>	<u>1</u>
Total Expenditures	<u>10,520,320</u>	<u>10,298,713</u>	<u>9,966,281</u>	<u>332,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,117,273	4,342,273	2,270,810	(2,071,463)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,000	25,000	49,803	24,803
Transfers out	<u>(1,142,273)</u>	<u>(4,367,273)</u>	<u>(4,230,219)</u>	<u>137,054</u>
Total Other Financing Sources (Uses)	<u>(1,117,273)</u>	<u>(4,342,273)</u>	<u>(4,180,416)</u>	<u>161,857</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(1,909,606)	<u>\$ (1,909,606)</u>
Fund balances - beginning			<u>9,414,298</u>	
Fund balances - ending			<u>\$ 7,504,692</u>	

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
INTERGOVERNMENTAL				
County taxes	\$ 9,443,000	\$ 9,848,000	\$ 10,269,653	\$ 421,653
State education funds	12,593,856	13,033,856	13,038,425	4,569
Other local taxes	28,000	28,000	37,628	9,628
Total intergovernmental	22,064,856	22,909,856	23,345,706	435,850
CHARGES FOR SERVICES	8,500	8,500	13,728	5,228
GRANTS	338,579	374,803	488,431	113,628
INTEREST ON INVESTMENTS	2,500	2,500	3,298	798
OTHER	272,416	272,416	234,200	(38,216)
PLANNED USE OF FUND BALANCE	-	1,200,000	-	(1,200,000)
Total Revenues	22,686,851	24,768,075	24,085,363	(682,712)
EXPENDITURES				
EDUCATION				
Board of education services				
Personnel costs	237,322	238,905	238,364	541
Contractual services	101,000	99,493	73,885	25,608
Materials and supplies	500	500	474	26
Other charges	120,000	120,000	100,621	19,379
	458,822	458,898	413,344	45,554
Office of superintendent				
Personnel costs	280,425	285,740	275,854	9,886
Contractual services	9,097	21,927	21,918	9
Materials and supplies	8,500	8,170	5,941	2,229
Other charges	15,320	15,320	10,328	4,992
	313,342	331,157	314,041	17,116
Office of principal				
Personnel costs	1,822,518	1,818,109	1,810,464	7,645
Contractual services	84	259	149	110
Materials and supplies	10,950	10,775	8,657	2,118
Other charges	4,759	4,759	3,956	803
	1,838,311	1,833,902	1,823,226	10,676
Regular instruction				
Personnel costs	9,388,832	9,072,803	8,948,698	124,105
Contractual services	227,500	231,500	132,937	98,563
Materials and supplies	341,070	228,873	173,678	55,195
Other charges	54,800	66,530	38,478	28,052
	10,012,202	9,599,706	9,293,791	305,915

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The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Alternative education				
Personnel costs	\$ 129,941	\$ 138,256	\$ 120,821	\$ 17,435
Contractual services	15,000	18,057	8,787	9,270
Materials and supplies	500	443	391	52
	<u>145,441</u>	<u>156,756</u>	<u>129,999</u>	<u>26,757</u>
Special education				
Personnel costs	1,379,797	1,455,110	1,382,510	72,600
Contractual services	162,968	190,819	189,841	978
Materials and supplies	7,366	6,866	4,511	2,355
	<u>1,550,131</u>	<u>1,652,795</u>	<u>1,576,862</u>	<u>75,933</u>
Technical education				
Personnel costs	997,155	956,648	953,465	3,183
Contractual services	-	11,993	11,993	-
Materials and supplies	9,200	9,200	9,123	77
Other charges	500	500	-	500
	<u>1,006,855</u>	<u>978,341</u>	<u>974,581</u>	<u>3,760</u>
Other student support				
Personnel costs	590,212	587,327	583,644	3,683
Contractual services	13,680	13,330	13,330	-
Materials and supplies	2,420	2,320	141	2,179
Other charges	1,500	12,600	12,131	469
	<u>607,812</u>	<u>615,577</u>	<u>609,246</u>	<u>6,331</u>
Regular instruction support				
Personnel costs	586,256	595,863	589,475	6,388
Contractual services	228,874	259,320	160,029	99,291
Materials and supplies	48,000	48,000	21,463	26,537
Other charges	32,000	32,000	25,684	6,316
	<u>895,130</u>	<u>935,183</u>	<u>796,651</u>	<u>138,532</u>
Special education support				
Personnel costs	390,216	390,369	385,263	5,106
Contractual services	67,770	87,770	71,106	16,664
Materials and supplies	3,500	3,500	1,854	1,646
Other charges	10,800	10,758	6,312	4,446
	<u>472,286</u>	<u>492,397</u>	<u>464,535</u>	<u>27,862</u>
Technical education support				
Contractual services	10,662	10,980	10,980	-
Technology				
Personnel costs	314,250	330,817	248,189	82,628
Contractual services	10,114	22,614	84,601	(61,987)
Materials and supplies	28,078	28,078	26,507	1,571
Other charges	268,240	268,240	221,244	46,996
	<u>620,682</u>	<u>649,749</u>	<u>580,541</u>	<u>69,208</u>

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The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Fiscal services				
Personnel costs	\$ 220,685	\$ 272,849	\$ 266,011	\$ 6,838
Contractual services	50,975	143,555	143,371	184
Materials and supplies	2,000	2,700	2,449	251
Other charges	4,750	5,150	4,075	1,075
	<u>278,410</u>	<u>424,254</u>	<u>415,906</u>	<u>8,348</u>
Human resources				
Personnel costs	211,283	211,955	197,061	14,894
Contractual services	52,985	52,985	47,369	5,616
Materials and supplies	6,000	5,740	3,855	1,885
Other charges	6,440	6,700	4,602	2,098
	<u>276,708</u>	<u>277,380</u>	<u>252,887</u>	<u>24,493</u>
Health services				
Personnel costs	64,400	64,384	64,379	5
Contractual services	154,350	154,620	154,613	7
Materials and supplies	5,000	6,000	5,981	19
Other charges	10,818	7,111	2,437	4,674
	<u>234,568</u>	<u>232,115</u>	<u>227,410</u>	<u>4,705</u>
Transportation				
Personnel costs	-	-	-	-
Contractual services	1,200,000	1,103,032	1,000,585	102,447
Materials and supplies	110,000	110,000	78,728	31,272
	<u>1,310,000</u>	<u>1,213,032</u>	<u>1,079,313</u>	<u>133,719</u>
Shared services benefits				
Personnel costs	372,888	386,385	385,844	541
Contractual services	104,100	109,472	109,416	56
Materials and supplies	22,072	20,165	20,166	(1)
Other charges	5,000	1,120	1,120	-
	<u>504,060</u>	<u>517,142</u>	<u>516,546</u>	<u>596</u>
Planning				
Contractual services	28,000	28,000	24,142	3,858
Operation of plant				
Personnel costs	350,050	365,696	363,270	2,426
Contractual services	528,000	516,556	515,739	817
Materials and supplies	2,100	2,100	611	1,489
Other charges	820,462	791,760	713,086	78,674
	<u>1,700,612</u>	<u>1,676,112</u>	<u>1,592,706</u>	<u>83,406</u>
Maintenance of plant				
Personnel costs	112,036	111,636	96,055	15,581
Contractual services	53,160	52,842	41,582	11,260
Materials and supplies	161,200	162,400	154,149	8,251
Other charges	900	900	485	415
	<u>327,296</u>	<u>327,778</u>	<u>292,271</u>	<u>35,507</u>
Total education	22,591,330	22,411,254	21,388,978	1,022,276

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The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND**

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
CAPITAL OUTLAY	\$ 374,521	\$ 980,945	\$ 721,670	\$ 259,275
DEBT SERVICE				
Principal	230,219	230,219	230,219	-
Interest	-	24,000	-	24,000
Total debt service	230,219	254,219	230,219	24,000
Total Expenditures	23,196,070	23,646,418	22,340,867	1,305,551
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(509,219)	1,121,657	1,744,496	622,839
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,066	1,066
Transfers in	759,219	828,343	823,471	(4,872)
Transfers out	(250,000)	(1,950,000)	(1,950,000)	-
Total Other Financing Sources (Uses)	509,219	(1,121,657)	(1,125,463)	(3,806)
Net change in fund balances	\$ -	\$ -	619,033	\$ 619,033
Fund balances - beginning			4,372,366	
Fund balances - ending			\$ 4,991,399	

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities:		Total
	Enterprise Funds		Proprietary
	Water Fund	Sewer Fund	Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,792,169	\$ 6,499,597	\$ 8,291,766
Receivables			
Customers	306,208	228,009	534,217
Other	7,490	-	7,490
Less allowance for doubtful accounts	(140,827)	(101,811)	(242,638)
Due from other governments	-	64,293	64,293
Due from other funds	14,745	71,590	86,335
Prepaid expenses	25,731	27,882	53,613
Total current assets	2,005,516	6,789,560	8,795,076
Noncurrent assets:			
Capital assets, not being depreciated	2,407	753,729	756,136
Capital assets, being depreciated, net	5,739,664	8,964,527	14,704,191
Total capital assets, net	5,742,071	9,718,256	15,460,327
Net pension asset	92	111	203
Total noncurrent assets	5,742,163	9,718,367	15,460,530
Total assets	7,747,679	16,507,927	24,255,606
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	61,512	75,464	136,976
LIABILITIES			
Current liabilities:			
Accounts payable	50,025	44,552	94,577
Due to other funds	-	6,866	6,866
Customer deposits	1,872	195	2,067
Current portion of bonds and notes payable	-	127,068	127,068
Total current liabilities	51,897	178,681	230,578
Noncurrent liabilities:			
Bonds and notes payable, net of			
current portion, discounts, and premiums	-	2,431,078	2,431,078
Accrued compensated absences	39,746	32,324	72,070
Net OPEB obligation	492,793	626,314	1,119,107
Total noncurrent liabilities	532,539	3,089,716	3,622,255
Total liabilities	584,436	3,268,397	3,852,833
DEFERRED INFLOWS OF RESOURCES			
Related to pension	51,212	61,440	112,652
NET POSITION			
Net investment in capital assets	5,742,071	7,160,110	12,902,181
Restricted - net pension asset	92	111	203
Unrestricted	1,431,380	6,093,333	7,524,713
Total net position	\$ 7,173,543	\$ 13,253,554	\$ 20,427,097

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities:		Total
	Enterprise Funds		Proprietary Funds
	Water Fund	Sewer Fund	
Operating Revenues:			
Metered water sales	\$ 1,162,446	\$ -	\$ 1,162,446
Sewer service fee	-	1,764,824	1,764,824
Service connections fees	105,163	62,864	168,027
Forfeited discounts	24,010	21,874	45,884
Other	1,656	-	1,656
Total operating revenues	<u>1,293,275</u>	<u>1,849,562</u>	<u>3,142,837</u>
Operating Expenses:			
Salaries	307,855	364,955	672,810
Benefits	157,889	180,628	338,517
Materials and supplies	135,938	83,385	219,323
Pumping and filtering	144,539	164,297	308,836
Professional services	36,709	69,409	106,118
Other services and charges	69,533	72,363	141,896
Depreciation	290,155	507,956	798,111
Total operating expenses	<u>1,142,618</u>	<u>1,442,993</u>	<u>2,585,611</u>
Operating income	150,657	406,569	557,226
Nonoperating Revenues (Expenses):			
Interest	884	4,803	5,687
Bond interest and fiscal charges	-	(39,132)	(39,132)
Gain on sale of capital assets	3,418	2,425	5,843
Total nonoperating revenues (expenses)	<u>4,302</u>	<u>(31,904)</u>	<u>(27,602)</u>
Change in net position	154,959	374,665	529,624
Total net position - beginning	<u>7,018,584</u>	<u>12,878,889</u>	<u>19,897,473</u>
Total net position - ending	<u>\$ 7,173,543</u>	<u>\$ 13,253,554</u>	<u>\$ 20,427,097</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, 2017

	Business-type Activities: Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,274,705	\$ 1,829,339	\$ 3,104,044
Payments to suppliers	(379,303)	(378,303)	(757,606)
Payments to employees	(397,845)	(479,767)	(877,612)
Net cash provided by operating activities	497,557	971,269	1,468,826
CASH FLOW FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES			
Payment (to) from other fund	(172,690)	85,265	(87,425)
CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(604,693)	(604,693)
Proceeds from sale of capital assets	3,418	2,425	5,843
Principal paid on capital debt	-	(125,292)	(125,292)
Interest paid on capital debt	-	(39,132)	(39,132)
Net cash from (used for) capital and related financing activities	3,418	(766,692)	(763,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	884	4,803	5,687
Net increase in cash and cash equivalents	329,169	294,645	623,814
Cash and cash equivalents - beginning of the year	1,463,000	6,204,952	7,667,952
Cash and cash equivalents - end of the year	\$ 1,792,169	\$ 6,499,597	\$ 8,291,766
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ 150,657	\$ 406,569	\$ 557,226
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	290,155	507,956	798,111
Pension expense in excess of employer contributions	63,137	61,875	125,012
Change in assets and liabilities			
Receivables	(18,565)	(20,223)	(38,788)
Prepaid expenses	2,410	1,825	4,235
Accounts payable	5,006	9,326	14,332
Accrued compensated absences	4,762	3,941	8,703
Customer deposits	(5)	-	(5)
Net cash provided by operating activities	\$ 497,557	\$ 971,269	\$ 1,468,826

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	School OPEB Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,642	\$ 304,161
Inventory	-	5,828
Investments, at fair value:		
Fixed income	92,600	-
Domestic equities	108,987	-
International equities	44,479	-
Emerging equities	10,405	-
Total investments	<u>256,471</u>	<u>-</u>
Total assets	260,113	<u><u>\$ 309,989</u></u>
LIABILITIES		
Due to student general fund	-	\$ 170,759
Due to student groups	<u>-</u>	<u>139,230</u>
Total liabilities	<u>-</u>	<u><u>\$ 309,989</u></u>
NET POSITION		
Held in trust for OPEB benefits	<u>260,113</u>	
Total net position	<u><u>\$ 260,113</u></u>	

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2017

	School OPEB Fund
ADDITIONS	
Employer contributions	\$ 209,913
Investment earnings (losses):	
Interest and dividends	7,313
Net appreciation in fair value of investments	3,383
Total investment earnings	<u>10,696</u>
Total additions	220,609
DEDUCTIONS	
Benefits	10,042
Administrative expense	454
Total deductions	<u>10,496</u>
Change in net position	210,113
Net position - beginning of the year	<u>50,000</u>
Net position - end of the year	<u><u>\$ 260,113</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Millington, Tennessee (the "City") was incorporated in 1903 and operates under a City Charter enacted in 1903 with various amendments ending in 2014. The City operates under a Board of Mayor and Aldermen 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. Blended component units, although legally separate entities, are, in substance, part of a government's operations. The City has one blended component unit (see details below). The City has no discretely presented component units. The significant accounting policies followed by the component unit are generally the same as those followed by the primary government.

Blended Component Unit:

Millington Municipal Schools Board of Education (the "School" or "MMS") – The Board of Education is a legally separate organization that includes all the public schools within the City. The Board of Education has a separately elected governing board but is fiscally dependent upon the City. The City provides funding, approves its operating budget, and issues debt for its capital projects. The School's total debt outstanding, including any leases, is expected to be repaid entirely or almost entirely with the resources of the City. The School's general purpose fund, federal projects fund, and cafeteria fund are each reported as special revenue funds of the City. The School's capital projects fund is considered a nonmajor fund of the City. The School's OPEB fund and student activity funds are fiduciary funds of the City. The School also issues separate financial statements which can be obtained by contacting the Millington Municipal Schools Board of Education.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. 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. Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

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.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The activities of the government are organized into funds, each of which are considered to be separate entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City's major governmental funds include the General Fund, the General Purpose School Fund and the Capital Improvements Fund. In addition, the City reports the Water Fund and Sewer Fund as a major proprietary funds. Detailed descriptions of these funds are presented below.

1. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – 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.
- b. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Sanitation Fund, Drug Fund, DEA Drug Fund, Storm Water Fund, School Federal Projects Fund, and School Cafeteria Fund. The special revenue funds also include the General Purpose School Fund which is considered a major fund and described in further detail below:

General Purpose School Fund – The operating fund of MMS and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another MMS fund, such as property tax shared revenue from Shelby County, Tennessee, Basic Education Program ("BEP") funds, etc. General operating expenditures and capital improvement costs that are not paid through other School funds are paid from the General Purpose School Fund.

- c. **Capital Projects Funds** – These funds account for all the financing of major governmental fund capital asset purchases. A separate fund is maintained for the City and the School capital improvement projects i.e. the Capital Improvements Fund and the School Capital Projects Fund. The Capital Improvements Fund is considered a major fund and described in further detail below.

Capital Improvements Fund – Accounts for the financing of major governmental fund capital asset purchases of the City.

2. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows individually for all major enterprise funds and in the aggregate for the remaining nonmajor enterprise funds. For the year ended June 30, 2017, the City had no nonmajor enterprise funds or internal service funds that would be included in proprietary fund financial statements. The proprietary funds of the City are described below:

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

- a. **Enterprise Funds** – Account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Water Fund – Accounts for water fees in connection with the operation of the City's production, storage, and transportation of potable water.

Sewer Fund – Accounts for the activities of the City's collection, transportation, treatment, and disposition of wastewater. The proceeds of loans that have been used specifically for the construction or acquisition of sewer systems and facilities are recorded in this fund. Since it is the intention of the City to repay these bonds and loans through sewer fund operations, the related obligations are reported in this fund.

3. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and statement of changes in fiduciary net position. Agency funds are fiduciary funds used to account for assets held by the City (or School) in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

- a. **Other Postemployment Benefits Fund** – This fund accounts for the activities and accumulation of resources that are required to be held in trust for the members and beneficiaries of the School's other postemployment benefit plan. The School uses an Other Postemployment Benefits Fund ("School OPEB Fund") to account for activity related to retiree group health and dental benefits.
- b. **Agency Funds** – This fund reports resources held by the School in a purely custodial capacity. The School Activity Funds are used to account for cash and inventory held by MMS on behalf of the school activity funds for individual schools. These funds were audited in a separate report and can be obtained by contacting the Millington Municipal Schools Board of Education.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

Proprietary funds and fiduciary funds are also accounted for using the "economic resources" measurement focus. Accordingly all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents revenues (additions) and expenses (deductions) in total net position. Agency funds do not use the economic resources measurement focus.

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Basis of Accounting

The government-wide financial statements are presented using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds 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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of fiscal year end). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The issuance of long-term debt is reported as other financing sources.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents held by the trustee of the School OPEB Fund are included in cash and cash equivalents. All certificates of deposit are considered to be cash and cash equivalents.

Certain cash and cash equivalents of the City are classified as restricted on the balance sheet and statement of net position because they are maintained in separate accounts and/or their use is limited by certain agreements, contracts with third parties, or State law. Restricted cash includes monies held in the Court bond account.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

2. Receivables

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

Real and personal property taxes are levied in October of each fiscal year on values assessed as of the prior January 1st. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on October 1st and are considered delinquent after February 28th, at which time penalties and interest are assessed and property is available for tax lien.

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31st). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30th. Delinquent taxes estimated to be collected subsequent to August 31st are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2017. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected through the Shelby County Trustee.

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

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as "unearned revenue". At the end of the current fiscal year, unavailable revenue principally represents amounts relating to property taxes and grants.

3. Interfund Transactions

Interfund 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."

Advances between funds, as reported in the fund financial statements, are offset as applicable by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Interfund transfers

Permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

4. Inventories and prepaid items

Inventories are valued at the lower of cost or market determined using the first-in, first-out ("FIFO") method. 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.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

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

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. Such assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets for infrastructure are defined as those assets with an initial individual cost of more than \$100,000. Contributed capital assets are recorded at estimated acquisition value at the date received. 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. 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. Infrastructure assets purchased or received prior to July 1, 2003, have not been recorded.

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

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

6. Deferred outflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has qualifying items for reporting in this category. Deferred outflows of resources include pension changes in experience, pension changes in investment earnings, and employer contributions to the pension plan after the measurement date.

7. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation days earned may be carried forward. 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 two year's vacation may be carried forward into the next year. Hourly employees can choose to be paid the overtime worked or to accrue compensatory overtime. Employees earn 1.5 hours of compensatory time for every hour of overtime worked in excess of minimum hours worked requirement according to the Fair Labor Standards Act. Compensatory time must be used by the end of the year. Compensated absences are paid out of the general fund, sanitation fund, storm water fund, and the enterprise funds.

Employees may accumulate unused sick leave. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government, instead this time is credited toward service years in calculating pension benefits.

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

8. Long-term obligations

In the governmental-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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the governmental fund financial statements, bond premiums and discounts, issuance costs are recognized in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred inflows of resources

In addition to liabilities, the statement of net position and the balance sheet report separate sections for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. Two of these items are amounts in the governmental funds that were receivable and measureable at year-end but were not available to finance expenditures for the current year. These include unavailable revenues from property taxes and grants. In addition, at the government-wide level deferred inflows of resources include those related to pensions.

10. Net position and fund balance

In the government-wide financial statements and the enterprise funds financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classification consist of the following five components, as applicable:

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

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

Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Aldermen or the Millington Municipal Schools Board of Education. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned – 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 or a designee authorized by the Board of Mayor and Aldermen with authority to assign amounts. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. At this time the Board of Education has maintained the authorization to assign fund balance for the School. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund are reported as assigned fund balance.

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

The Board of Mayor and Aldermen established a financial stabilization account, an emergency account, and a library construction account as committed parts of the fund balance for the General Fund. The financial stabilization account is established as 30% of the appropriations for the next fiscal year in order to have a method of dealing with revenue shortages or other unanticipated budgetary needs. The emergency account is established at \$1,000,000 for use in covering catastrophic losses, including natural and man-made disasters. The library construction account is established as 50% of collections from the red light camera/speed van violations less expenditures for the library. The balances of these accounts at June 30, 2017, are \$3,600,635, \$1,000,000, and \$380,003, respectively.

11. Pensions

The City maintains four defined benefit retirement plans sponsored by the Tennessee Consolidated Retirement System.

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized in accordance with applicable Governmental Accounting Standards Board ("GASB") requirements. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

12. Fair Value Measurements

GASB Statement 72, Fair Value Measurement and Application, categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

13. Estimates

The preparation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E – New Governmental Accounting Standards Board (“GASB”) Pronouncements

The City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, required for fiscal periods beginning after June 15, 2016. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The City plans to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal year 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal periods beginning after December 15, 2015. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that was not previously reported consistently or comprehensively.

The City adopted GASB Statement No. 82, *Pension Issues*, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017. This Statement modifies the measure of payroll that is presented in the required supplementary information.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds. Budgets for the capital improvements fund are made on a project basis, spanning more than one fiscal year. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. MMS annually approves the operating budgets of the general purpose school, school federal projects, school cafeteria, and school capital projects funds. The City Manager is required by charter to present to the Board of Mayor and Alderman a preliminary budget for the upcoming fiscal year by May 1st. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on three readings before it is adopted and becomes the approved spending plan for the City.

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported in the assigned, committed, and restricted fund balance categories and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Annual budgets are adopted on a basis consistent with the requirements of the *Tennessee Code Annotated*, which does not vary materially from the modified accrual basis of accounting for governmental funds.

B. Excess of expenditures over appropriations and deficit fund balance

For the year ended June 30, 2017, no fund's expenditures exceeded and as of fiscal year end none of the funds had a deficit fund balance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Legal Provisions

Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2017, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

B. Investments

1. *Primary Government Investments*

Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered bank and savings and loan associations; repurchase agreements; the Local Government Investment Pool (LGIP); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Status also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. Other than investments of certificates of deposits which are included as cash equivalents, the primary government held no investments.

2. *Fiduciary Investments –*

The School's fiduciary fund investments are held by a third party trust in the name of the School. The investment portfolio is managed to maintain the preservation of the principal of those funds within the portfolio and to maximize the return on investments while remaining within prudent financial management. Additionally, the School utilizes an advisor to select appropriate investment choices. In addition to the investments allowed by the City, the fiduciary fund's investment policy authorizes investment in mutual funds, common stocks and other equities.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The following is a description of the valuation methodologies used for assets measured at fair value. Fair value has been determined based on the School's assessment of available market information and appropriate valuation methodologies. There have been no changes in the methodologies used at June 30, 2017:

- *Mutual Funds*: Valued based on readily available prices in the active market in which the securities are traded.

The following table summarized fair value disclosures and measurements for fiduciary investments at June 30, 2017:

Investments at Fair Value	Level 1
Fiduciary Activities:	
Equity mutual funds	\$ 163,871
Fixed income mutual funds	92,600
	<u>\$ 256,471</u>

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2017, is as follows:

	Due From:	Due To:
Major Funds		
General Fund		
State Street Aid Fund	\$ 39,975	\$ -
Sanitation Fund	11,082	-
DEA Drug Fund	235	-
Water Fund	-	834
Sewer Fund	-	71,590
Capital Improvements Fund	-	1,595
	<u>51,292</u>	<u>74,019</u>
General Purpose School Fund		
School Federal Projects Fund	325,633	-
Capital Improvements Fund		
General Fund	1,595	-
Water Fund		
General Fund	834	-
Sewer Fund	6,866	-
Sanitation Fund	5,674	-
Storm Water Fund	1,371	-
	<u>14,745</u>	<u>-</u>
Sewer Fund		
General Fund	71,590	-
Water Fund	-	6,866
	<u>71,590</u>	<u>6,866</u>

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

	<u>Due From:</u>	<u>Due To:</u>
Nonmajor Funds		
State Street Aid Fund		
General Fund	\$ -	\$ 39,975
Sanitation Fund		
General Fund	-	11,082
Water Fund	-	5,674
	<u>-</u>	<u>16,756</u>
DEA Drug Fund		
General Fund	-	235
Storm Water Fund		
Water Fund	-	1,371
School Federal Projects Fund		
General Purpose School Fund	-	325,633
	<u>-</u>	<u>383,970</u>
	<u>\$ 464,855</u>	<u>\$ 464,855</u>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	<u>Transfers In:</u>	<u>Transfers Out:</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ -	\$ 730,219
Capital Improvements Fund	-	3,500,000
	<u>-</u>	<u>4,230,219</u>
General Purpose School Fund		
General Fund	730,219	-
School Federal Projects Fund	93,252	-
School Capital Projects Fund	-	1,950,000
	<u>823,471</u>	<u>1,950,000</u>
Nonmajor Funds		
School Federal Projects Fund		
General Purpose School Fund	-	93,252
School Capital Projects Fund		
General Purpose School Fund	1,950,000	-
Capital Improvements Fund		
General Fund	3,500,000	-
	<u>5,450,000</u>	<u>93,252</u>
	<u>\$ 6,273,471</u>	<u>\$ 6,273,471</u>

There were no transfers in or out of proprietary funds during the fiscal year ended June 30, 2017. Transfers out of the major funds and nonmajor governmental funds generally represent debt service, cost allocation, and capital improvement project funding.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

D. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,060,989	\$ 234,828	\$ -	\$ 6,295,817
Construction in progress	4,696,968	4,579,996	(7,124,030)	2,152,934
Total capital assets, not being depreciated	10,757,957	4,814,824	(7,124,030)	8,448,751
Capital assets, being depreciated:				
Buildings and improvements	54,421,204	5,017,004	(2,161,561)	57,276,647
Furnishings and equipment	1,706,222	249,069	(17,550)	1,937,741
Vehicles	3,789,196	442,771	(142,099)	4,089,868
Infrastructure	31,476,412	4,194,339	-	35,670,751
Total capital assets, being depreciated	91,393,034	9,903,183	(2,321,210)	98,975,007
Less accumulated depreciation for:				
Buildings and improvements	(6,628,011)	(1,406,401)	67,562	(7,966,850)
Furnishings and equipment	(1,039,640)	(117,168)	17,550	(1,139,258)
Vehicles	(2,826,770)	(287,800)	133,098	(2,981,472)
Infrastructure	(1,164,765)	(783,592)	-	(1,948,357)
Total accumulated depreciation	(11,659,186)	(2,594,961)	218,210	(14,035,937)
Total capital assets, being depreciated, net	79,733,848	7,308,222	(2,103,000)	84,939,070
Governmental activities capital assets, net	\$ 90,491,805	\$ 12,123,046	\$ (9,227,030)	\$ 93,387,821
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	23,197	530,429	(524,439)	29,187
Total capital assets, not being depreciated	750,146	530,429	(524,439)	756,136
Capital assets, being depreciated:				
Buildings and improvements	28,034,678	524,439	-	28,559,117
Furnishings and equipment	3,898,046	-	-	3,898,046
Vehicles	687,425	74,264	-	761,689
Total capital assets, being depreciated	32,620,149	598,703	-	33,218,852
Less accumulated depreciation for:				
Buildings and improvements	(13,643,646)	(710,295)	-	(14,353,941)
Furnishings and equipment	(3,573,340)	(46,223)	-	(3,619,563)
Vehicles	(499,564)	(41,593)	-	(541,157)
Total accumulated depreciation	(17,716,550)	(798,111)	-	(18,514,661)
Total capital assets, being depreciated, net	14,903,599	(199,408)	-	14,704,191
Business-type activities capital assets, net	\$ 15,653,745	\$ 331,021	\$ (524,439)	\$ 15,460,327

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

Governmental Activities:	
General government	\$ 91,320
Public safety	266,479
Transportation and environment	977,899
Community services	121,935
Education	1,137,328
Total depreciation expense - governmental activities	<u>\$ 2,594,961</u>
Business-type Activities:	
Water	\$ 290,155
Sewer	507,956
Total depreciation expense - business-type activities	<u>\$ 798,111</u>

E. Long-Term Liabilities

1. Long-Term Debt

Notes payable

The City periodically issues debt for the acquisition, construction, and improvement of major capital facilities and infrastructure. At June 30, 2017, the City held a general obligation capital outlay note, loans issued through the Local Government Loan Program and administered through the Tennessee Municipal Bond Fund, and a loan issued through the State Revolving Loan Fund. The debt is generally issued as 10 to 25-year amortizing loans with varying interest rates. The City is not subject to any state or other law that limits the amount of net bonded debt a City may have outstanding; therefore, there is no legal debt margin or computation thereof. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation and construction loan principal and interest.

Debt outstanding as of June 30, 2017 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance Outstanding at Year End
Governmental activities:				
General obligation capital outlay note	3.78%	2020	\$ 1,000,000	\$ 445,000
Local government loan program				
Series 2011 note payable	3.29	2036	5,000,000	4,347,000
Series 2013 note payable	2.73	2033	1,150,000	967,000
Series 2015 note payable	3.02	2035	6,000,000	4,309,409
			<u>12,150,000</u>	<u>9,623,409</u>
			<u>\$ 13,150,000</u>	<u>\$ 10,068,409</u>
Business-type activities:				
State revolving loan fund	1.41	2033	\$ 2,827,400	\$ 2,558,146

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Annual debt service requirements to maturity for notes payable are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 556,400	\$ 311,400	\$ 127,068	\$ 35,256
2019	574,000	293,215	128,880	33,444
2020	592,000	274,494	130,704	31,620
2021	610,500	255,142	132,564	29,760
2022	630,000	234,919	134,436	27,888
2023-2027	3,414,300	864,981	701,364	110,256
2028-2032	2,516,209	386,600	752,568	59,052
2033-2037	1,175,000	94,113	450,562	9,285
	<u>\$ 10,068,409</u>	<u>\$ 2,714,864</u>	<u>\$ 2,558,146</u>	<u>\$ 336,561</u>

2. Settlement Liability

In January 2014, the City and the School entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The School agreed to pay the Shelby County Board of Education twelve annual installments of \$230,219. The School elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.89%. Future payments under the settlement liability are as follows:

Years Ending June 30	Amount
2018	\$ 230,219
2019	230,219
2020	230,219
2021	230,219
2022	230,219
2023-2027	920,927
Total payments	<u>\$ 2,072,022</u>
Less amount representing interest	<u>(249,622)</u>
	<u>\$ 1,822,400</u>

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

3. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2017 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 8,230,364	\$ 2,377,545	\$ (539,500)	\$ 10,068,409	\$ 556,400
Settlement obligation	2,302,190	-	(230,168)	2,072,022	230,219
Less deferred amounts representing interest	(302,561)	-	52,939	(249,622)	-
Total long-term debt	10,229,993	2,377,545	(716,729)	11,890,809	786,619
Compensated absences	362,800	59,608	(51,551)	370,857	51,550
Net pension liability*	185,219	1,591,973	-	1,777,192	-
Net OPEB obligation*	6,034,855	1,070,523	-	7,105,378	-
	<u>\$ 16,812,867</u>	<u>\$ 5,099,649</u>	<u>\$ (768,280)</u>	<u>\$ 21,144,236</u>	<u>\$ 838,169</u>
Business-type activities:					
Note payable - construction	\$ 2,683,438	\$ -	\$ (125,292)	\$ 2,558,146	\$ 127,068
Compensated absences	63,367	9,683	(980)	72,070	-
Net pension liability*	8,713	-	(8,713)	-	-
Net OPEB obligation*	982,407	136,700	-	1,119,107	-
	<u>\$ 3,737,925</u>	<u>\$ 146,383</u>	<u>\$ (134,985)</u>	<u>\$ 3,749,323</u>	<u>\$ 127,068</u>

*net increase (decrease) shown

For governmental activities, net pension liability, other postemployment benefit obligations, and compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2017; interest incurred and charged to expense totaled \$405,204. For the governmental activities and business-type activities, there were no bond proceeds that were not spent as of June 30, 2017.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

F. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	General Purpose School Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	\$ 34,811	\$ -	\$ -	\$ 24,999	\$ 59,810
Prepaid expenditures	232,475	1,542	-	22,744	256,761
Total nonspendable fund balance	267,286	1,542	-	47,743	316,571
Restricted for:					
Streets	-	-	-	64,757	64,757
Sanitation	-	-	-	676,223	676,223
Drug enforcement	-	-	-	103,015	103,015
DEA task force	-	-	-	60,384	60,384
Drainage control	-	-	-	142,007	142,007
Education	-	9,619	-	327,189	336,808
Total restricted fund balance	-	9,619	-	1,373,575	1,383,194
Committed for:					
Financial stabilization	3,600,635	-	-	-	3,600,635
Emergency	1,000,000	-	-	-	1,000,000
Library construction	380,003	-	-	-	380,003
Total committed fund balance	4,980,638	-	-	-	4,980,638
Assigned to:					
Capital improvements	-	-	4,105,213	2,419,605	6,524,818
Education	-	4,980,238	-	-	4,980,238
Total assigned fund balance	-	4,980,238	4,105,213	2,419,605	11,505,056
Unassigned	2,256,768	-	-	-	2,256,768
Total fund balances	<u>\$ 7,504,692</u>	<u>\$ 4,991,399</u>	<u>\$ 4,105,213</u>	<u>\$ 3,840,923</u>	<u>\$ 20,442,227</u>

NOTE 4 – PENSIONS

The City and MMS participate in the following defined benefit multiple-employer Public Employee Retirement Plans administered by the Tennessee Consolidated Retirement System ("TCRS"):

- I. City of Millington Public Employee Pension Plan ("City Agent Plan") – Employees of the City of Millington are included in this plan. This is an agent multiple-employer pension plan.
- II. MMS Teacher Legacy Pension Plan ("MMS TLPP") – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.
- III. MMS Teacher Retirement Plan ("MMS TRP") – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

- IV. MMS Board of Education Political Subdivision Pension Plan ("MMS PSPP") – Administrative employees of the Millington Municipal Schools Board of Education are included in this plan. This is an agent multiple-employer pension plan.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute.

The net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to pensions reported on the statement of net position are summarized as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental Activities				
City Agent Plan	\$ 1,885	\$ 1,262,346	\$ -	\$ 1,031,124
MMS TLPP	-	5,288,703	1,747,388	2,115,508
MMS TRP	37,144	94,075	-	4,283
MMS PSPP	-	274,526	29,804	13,330
Total governmental activities	<u>\$ 39,029</u>	<u>\$ 6,919,650</u>	<u>\$ 1,777,192</u>	<u>\$ 3,164,245</u>
Business-type Activities				
City Agent Plan	<u>\$ 203</u>	<u>\$ 136,976</u>	<u>\$ -</u>	<u>\$ 112,652</u>

I. City of Millington Public Employee Pension Plan (City Agent Plan)

A. General Information about the Pension Plan

Plan Description

Employees of the City of Millington are included in this plan. This is an agent multiple-employer pension plan.

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	174
Active employees	135
	<u>405</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the City agent plan were \$503,733 based on a rate of 8.93 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Assumptions

The City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Investment Policy

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

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

C. Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 22,940,091	\$ 22,849,560	\$ 90,531
Changes for the year:			
Service cost	523,831	-	523,831
Interest	1,724,244	-	1,724,244
Differences between expected and actual experience	(1,279,849)	-	(1,279,849)
Contributions - employer	-	469,835	(469,835)
Contributions - employees	-	-	-
Net investment income	-	599,629	(599,629)
Benefit payments, including refunds of employee contributions	(947,999)	(947,999)	-
Administrative expenses	-	(8,619)	8,619
Net changes	<u>20,227</u>	<u>112,846</u>	<u>(92,619)</u>
Balance at 6/30/16	<u>\$ 22,960,318</u>	<u>\$ 22,962,406</u>	<u>\$ (2,088)</u>

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 3,075,516	\$ (2,088)	\$ (2,557,713)

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

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$382,717 related to the City agent plan.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the City agent plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,775	\$ 1,143,776
Net difference between projected and actual earnings on pension plan investments	761,814	-
Contributions subsequent to the measurement date of June 30, 2016	503,733	-
Total	<u>\$ 1,399,322</u>	<u>\$ 1,143,776</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2018	\$ (178,514)
2019	(178,514)
2020	175,617
2021	(66,777)
2022	-
Thereafter	-

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

E. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$40,157 for the outstanding amount of contributions to the City agent plan required at the year ended June 30, 2017.

II. MMS Teacher Legacy Pension Plan (MMS TLPP)

A. General Information about the Pension Plan

Plan Description

Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies ("LEAs") make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Millington Municipal Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$906,116, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

B. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Investment Policy

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, Millington Municipal Schools reported a liability of \$1,747,388 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Millington Municipal Schools' proportion of the net pension liability was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Millington Municipal Schools' proportion was 0.279607 percent. The proportion measured as of June 30, 2015 was 0.244172 percent.

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 9,595,207	\$ 1,747,388	\$ (4,753,392)

Pension Plan Fiduciary Net Position

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

D. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, Millington Municipal Schools recognized a pension expense of \$782,008 related to the Teacher Legacy Pension Plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, Millington Municipal Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,536	\$ 2,115,508
Net difference between projected and actual earnings on pension plan investments	1,950,982	-
Changes in proportion of net pension liability (asset)	2,358,069	-
Contributions subsequent to the measurement date of June 30, 2016	906,116	-
Total	<u>\$ 5,288,703</u>	<u>\$ 2,115,508</u>

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Millington Municipal Schools' employer contributions of \$906,116 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 249,114
2019	249,114
2020	1,184,999
2021	667,957
2022	(84,104)
Thereafter	-

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

E. Payable to the Pension Plan

At June 30, 2017, MMS reported a payable of \$0 for the outstanding amount of contributions to the Teacher Legacy plan required at the year ended June 30, 2017.

III. MMS Teacher Retirement Plan (MMS TRP)

A. General Information about the Pension Plan

Plan Description

Teachers with membership in TCRS beginning on or after July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies ("LEAs") make

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. By law, employer contributions for the Teacher Hybrid plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions to the Teacher Hybrid plan for the year ended June 30, 2017 were \$81,222, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Investment Policy

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Discount Rate

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

C. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, Millington Municipal Schools reported an asset of \$37,145 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value of that date. Millington Municipal Schools' proportion of the net pension asset was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Millington Municipal Schools' proportion was 0.356813 percent. The proportion measured as of June 30, 2015 was 0.469858 percent.

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 17,541	\$ (37,144)	\$ (77,438)

Pension Plan Fiduciary Net Position

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

D. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, MMS recognized pension expense of \$31,363 related to the Teacher Retirement Plan.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, MMS reported deferred outflows of resources and deferred inflows of resources related to the Teacher Retirement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,600	\$ 4,283
Net difference between projected and actual earnings on pension plan investments	6,082	-
Changes in proportion of net pension liability (asset)	3,171	-
Contributions subsequent to the measurement date of June 30, 2016	81,222	-
Total	<u>\$ 94,075</u>	<u>\$ 4,283</u>

MMS employer contributions of \$81,222, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 1,768
2019	1,768
2020	1,768
2021	1,478
2022	175
Thereafter	1,613

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

E. Payable to the Pension Plan

At June 30, 2017, MMS reported a payable of \$0 for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2017

IV. MMS Board of Education Political Subdivision Pension Plan (MMS PSPP)

A. General Information about the Pension Plan

Plan Description

Administrative employees of the Millington Municipal Schools Board of Education are included in this plan. This is an agent multiple-employer pension plan. Legislation passed in 2013 permits a local board of education to participate in TCRS separately from the local government. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Benefits Provided

Members of the legacy Political Subdivision Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and included projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	88
	<u>95</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. MMS makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the Actuarially Determined Contribution ("ADC") for the Political Subdivision Pension Plan was \$230,248 based on a rate of 8.92 percent of covered payroll. By law, employer contributions for the Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of an unfunded liability.

B. Assumptions

The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Investment Policy

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 274,981	\$ 271,601	\$ 3,380
Changes for the year:			
Service cost	261,184	-	261,184
Interest	40,083	-	40,083
Differences between expected and actual experience	27,715	-	27,715
Contributions - employer	-	196,318	(196,318)
Contributions - employees	-	101,788	(101,788)
Net investment income	-	11,056	(11,056)
Benefit payments, including refunds of employee contributions	(3,437)	(3,437)	-
Administrative expenses	-	(6,604)	6,604
Net changes	325,545	299,121	26,424
Balance at 6/30/16	\$ 600,526	\$ 570,722	\$ 29,804

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 139,862	\$ 29,804	\$ (58,987)

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

Pension Expense

For the year ended June 30, 2017, MMS recognized pension expense of \$181,290 related to the PSPP.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, MMS reported deferred outflows of resources and deferred inflows of resources related to the PSPP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,636	\$ 13,330
Net difference between projected and actual earnings on pension plan investments	19,642	-
Contributions subsequent to the measurement date of June 30, 2016	230,248	-
Total	<u>\$ 274,526</u>	<u>\$ 13,330</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2018	\$ 6,380
2019	6,380
2020	6,380
2021	5,198
2022	1,175
Thereafter	5,429

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

E. Payable to the Pension Plan

At June 30, 2017, MMS reported a payable of \$0 for the outstanding amount of contributions to the PSPP required at the year ended June 30, 2017.

NOTE 5 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

401(k) Plan

The Teacher Retirement Plan (the "Hybrid Plan") provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plan is managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are automatically enrolled, with opt-out feature, to contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2017, MMS employer contributions to the Hybrid Plan were \$111,101.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

In addition to the pension benefits described in Note 4, the City and MMS each administer a single-employer defined benefit other postemployment ("OPEB") plan to provide health care benefits to certain employees and elected officials.

Basis of Accounting

The MMS OPEB plans' financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment in accordance with terms of the OPEB plan. The MMS OPEB plan does not issue a separate audited financial statement.

Method Used to Value Investments

MMS OPEB plan investments are reported at fair market value.

I. CITY OF MILLINGTON, TENNESSEE OPEB

A. General Information about the OPEB Plan

Plan Description

The City is the administrator of a single-employer OPEB plan. 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.

Benefits Provided

The City provides post-retirement health care and life insurance benefits to all employees who retire from the City under the provisions of the TCRS. Benefit provisions and contribution obligations have been established by the City. The City provides certain healthcare and life insurance coverage at nominal cost to retirees. Currently, 21 retirees and spouses are participating in post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. The City pays 65% of the premium for health care benefits for retirees and their dependents.

B. Assumptions

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

The annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions include a 4% a year rate of investment return and 6.50% a year level rate for health care costs trend.

C. Employer Disclosures

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 2017, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$86,937. These costs are recognized as an expense when claims or premiums are paid.

The City's annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution (ARC)	\$ 966,979
Interest on net OPEB obligation	263,861
Adjustment to annual required contribution	(374,070)
Annual OPEB cost	<u>856,770</u>
Contributions or payments made	(86,937)
Increase in net OPEB obligation	<u>769,833</u>
Net OPEB obligation, beginning of year	7,017,262
Net OPEB obligation, end of year	<u><u>\$ 7,787,095</u></u>

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2011	\$ -	\$ 10,558,534	\$ 10,558,534	0.0%	\$ 6,428,037	164%
7/1/2013	-	8,853,382	8,853,382	0.0%	5,658,639	156%
7/1/2015	-	7,915,825	7,915,825	0.0%	5,209,593	152%

MILLINGTON MUNICIPAL SCHOOLS BOARD OF EDUCATION OPEB

A. General Information about the OPEB Plan

Plan Description

Plan administration. On June 6, 2016, the Millington Municipal Schools Board of Education passed a resolution to participate in the Tennessee School Boards Association OPEB Trust ("TSBA OPEB Trust"). The School funded the TSBA OPEB Trust with an initial deposit of \$50,000. On September 6, 2016 the Millington Municipal Schools Board of Education approved a retiree healthcare plan to be administered by the TSBA OPEB Trust to be effective January 1, 2017. The School administers the Millington Municipal Schools Retiree Benefits Plan ("MMSRBP")—a single employer defined benefit plan that is used to provide postemployment benefits other than pensions ("OPEB").

Management of the MMSRBP is vested in the TSBA Board of Trustees (TSBA Board), which consists of seven (7) members—five (5) appointed by the governing boards of the participating members of the Trust, and the Executive Director and President of the Tennessee School Board Association are an ex-officio members.

Employees who retire from the School and qualify for TCRS Service Retirement under the Tennessee Consolidated Retirement System may be eligible for post-retirement health benefits. Five (5) years of service must be with the School with allowances given to former employees Tennessee Public School Districts if employed by the School on August 8, 2014. New employees are not eligible for benefits if employed after January 1, 2017, unless they worked for another Tennessee public school district prior to January 1, 2017. The employee must be enrolled in a School health insurance plan for one (1) year immediately before the retirement date.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Benefits Provided

The MMSRBP provides healthcare for retirees and their dependents. Benefits are provided through a third-party insurer, with 25% to 50% of benefits being covered by the plan up to age 65. A \$100 per month stipend is provided to the retiree only at post-65.

Benefits and premiums are set by the Board of Education. The Board is authorized to (1) add, change or end any coverage offered, (2) change or discontinue benefits, (3) establish premiums and (4) change the rules for eligibility at any time, for any reason.

Plan Membership

At June 30, 2016, participants consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	184
	<u>185</u>

Contributions

The School establishes contributions based on an actuarially determined rate. The School made a single contribution of \$50,000 in the year ending June 30, 2016. For the year ended June 30, 2017, the School contributed an additional amount of \$200,000. The amount contributed is based on an actuarial valuation and available funds for the year. For the year ended June 30, 2017, the School's average contribution rate was 2.2 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

B. Assumptions

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending June 30, 2016. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017 using update procedures that incorporated the following actuarial assumptions.

Salary increases	3.0%
Investment rate of return	4.25%
Healthcare cost trend rates	8% decreasing 1% per year to an ultimate 5% for 2022 and thereafter
Mortality table	RP-2014 Mortality fully generational using projection scale MP-2015

The long-term expected rate of return on OPEB plan investments was estimated to be 4.25% based on historical returns by asset class consistent with the investment policy.

Investment Policy

TSBA OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. TSBA OPEB Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity investments	65%	35%
Fixed income investments	65%	20%
Cash and cash equivalents	35%	0%

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.81 percent. The discount rate is a weighted rate based on the long term rate of return of 4.25 percent and a 2.8 percent rate for 20 year rate for tax-exempt general obligation AA municipal bonds. The discount rate assumption has decreased from 4.25 percent to 2.81 percent.

C. Net OPEB Liability of the School

The components of the net OPEB liability of the School at June 30, 2017, were as follows:

Total OPEB liability	\$ 4,164,892
Plan fiduciary net position	<u>260,113</u>
Net OPEB liability	<u>\$ 3,904,779</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.2%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 1.81%	Current Discount Rate 2.81%	1% Increase 3.81%
Net OPEB liability	\$ 4,497,557	\$ 3,904,779	\$ 3,354,616

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point than the current healthcare cost trend rates:

	1% Decrease 7% decreasing to 4%	Current Healthcare Cost Trend Rates 8% decreasing to 5%	1% Increase 9% decreasing to 6%
Net OPEB liability	\$ 3,649,074	\$ 3,904,779	\$ 4,221,605

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

D. EMPLOYER DISCLOSURES

Annual OPEB Cost and Net OPEB Obligation

The School's annual OPEB cost and net OPEB obligation to the Trust for the current year were as follows:

Annual required contribution (ARC)	\$ 374,584
Annual OPEB cost	374,584
Contributions remitted for pay-go cost	(41,089)
Increase in net OPEB obligation	333,495
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 333,495</u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Following is a summary of the three-year trend (as applicable) for the years ended June 30:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2017	\$ 374,584	11.0%	\$ 333,495

Funded Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the plan was 1.8 percent funded on a basis in alignment with GASB Statement No. 45. The actuarial accrued liability for benefits was \$2,852,106, and the actuarial value of assets was \$50,000, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,802,106. The covered payroll (annual payroll of active employees covered by the plan) was \$9,530,500, and the ratio of the UAAL to the covered payroll was 29.4 percent.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of future events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The required contribution rate was determined as part of the October 1, 2016, actuarial valuation using the projected unit credit with linear proration to decrement actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 4.25 percent a year (inclusive of 3.00 percent inflation) compounded annually and (b) mortality rates based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2015. The actuarial value of assets equals the fair market value of the net position held by the OPEB plan. The School's unfunded actuarially accrued liability is being amortized as a level dollar amount on a closed basis.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Contracts

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 \$117,633 for the year ended June 30, 2017.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Under the terms of service agreements with the Naval Support Activity Mid-South and Shelby County, the City provides service from the sewer treatment plant at a cost of \$3.42 per thousand gallons.

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

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.

Operating Leases

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.

Legal Contingencies

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.

NOTE 8 - 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. The City considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for its general liability, workers' compensation, and property and casualty insurance. As such, the City participates in the Tennessee Municipal League Risk Management Pool ("TML Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the TML Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the TML Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City's premium paid and its favorable loss experience in recent years. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML Pool. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

In addition to the annual premiums for insurance coverage, the payment of the TML Pool deductible amounts for each loss occurrence is funded by the annual operating budgets for each department. And as a contingency for losses that may exceed the limits of coverage provided by conventional insurance, the City annually designates a portion of its General Fund balance as a reserve for emergencies.

There have been no reductions in insurance coverage, and the City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 9 – TAX ABATEMENTS

GASB Statement No. 77, Tax Abatement Disclosures ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and (3) Commitments made by the government, other than to abate taxes, that are part of the tax abatement agreement.

CITY OF MILLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The City of Millington currently has the following tax abatements in effect:

The State of Tennessee, through existing state statute, provides that the property of housing authorities shall be exempt from all taxes and special assessments of the state or any city or county or political subdivision thereof. In lieu of such taxes, a housing authority agrees to make payments to any political subdivision of the state for services and improvements furnished by the city or county. The Millington Housing Authority paid \$19,336 for 2017 under this provision.

Shelby County Government entered into an agreement on August 1, 1994 with Wesley at Millington, Inc., which is under provisions of the United States Department of Housing and Urban Development ("HUD") to operate an eighty-one (81) unit low income elderly housing facility, for a payment in lieu of taxes for city and county taxes. City taxes abated during 2017 were \$36,930.

The Millington Industrial Development Board (the "IDB"), which was created by the City, has the authority to enter into lease agreements with commercial and industrial businesses to provide payment in lieu of taxes ("PILOT") programs as a financial incentive to locate within the city limits or make improvements to existing property. These PILOT lease agreements between the respective development boards and the industries allow for the reduction of real and personal property taxes for three or more years, depending on the project criteria as established by the IDB. In return for this property tax abatement, the industries commit to hiring a certain number of employees over the term of the agreement and/or make significant improvements to the property. On November 19, 2010 the IDB entered into a PILOT agreement with Lexington Millington LP for a distribution facility to be operated by Ingram Micro Inc. Ingram Micro is an international company with headquarters in Irvine, California. City taxes abated during 2017 were \$72,608.

NOTE 10 – DEFERRED COMPENSATION PLAN

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
CITY OF MILLINGTON PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 523,831	\$ 500,187	\$ 514,637
Interest	1,724,244	1,646,311	1,544,121
Differences between expected and actual experience	(1,279,849)	(179,845)	267,551
Benefit payments	(947,999)	(954,367)	(944,283)
Net change in total pension liability	20,227	1,012,286	1,382,026
Total pension liability - beginning	22,940,091	21,927,805	20,545,779
Total pension liability - ending	22,960,318	22,940,091	21,927,805
Plan Fiduciary Net Position			
Contributions - employer	469,835	530,147	511,544
Net investment income	599,629	689,233	3,238,712
Benefit payments	(947,999)	(954,367)	(944,283)
Administrative expense	(10,396)	(8,324)	(7,143)
Other	1,777	-	-
Net change in plan fiduciary net position	112,846	256,689	2,798,830
Plan fiduciary net position - beginning	22,849,560	22,592,871	19,794,041
Plan fiduciary net position - ending	\$ 22,962,406	\$ 22,849,560	\$ 22,592,871
Net pension liability (asset)	<u>\$ (2,088)</u>	<u>\$ 90,531</u>	<u>\$ (665,066)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.01%	99.61%	103.03%
Covered payroll	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
Net pension liability (asset) as a percentage of covered payroll	-0.04%	1.39%	-10.48%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
CITY OF MILLINGTON PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2017	2016	2015	2014
Actuarially determined contribution	\$ 503,733	\$ 469,835	\$ 530,147	\$ 511,544
Contributions	503,733	469,835	530,147	511,544
Contribution deficiency (surplus)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,642,345	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
Contributions as a percentage of covered payroll	8.93%	8.14%	8.14%	8.06%

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

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
MMS TEACHER LEGACY PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2017	2016	2015
Proportion of the net pension liability (asset)	0.279607%	0.244172%	0.000664%
Proportionate share of the net pension liability (asset)	\$ 1,747,388	\$ 100,021	\$ (108)
Covered payroll	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability	97.14%	99.80%	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year. This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
MMS TEACHER LEGACY PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 906,116	\$ 912,429	\$ 826,309	\$ 2,314
Contribution in relation to the contractually required contribution	<u>906,116</u>	<u>912,429</u>	<u>826,309</u>	<u>2,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,023,423	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered payroll	9.04%	9.04%	9.04%	8.88%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
MMS TEACHER RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2017	2016
Proportion of the net pension liability (asset)	0.356813%	0.479760%
Proportionate share of the net pension liability (asset)	\$ (37,145)	\$ (19,301)
Covered payroll	\$ 1,569,972	\$ 996,818
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	121.88%	127.46%

* The amounts presented were determined as of June 30 of the prior fiscal year. This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
MMS TEACHER RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years June 30*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 81,222	\$ 62,800	\$ 24,920
Contribution in relation to the contractually required contibution	<u>81,222</u>	<u>62,800</u>	<u>39,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,952)</u>
Covered payroll	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
MMS POLITICAL SUBDIVISION PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2016	2015
Total Pension Liability		
Service cost	\$ 261,184	\$ 272,709
Interest	40,083	20,415
Differences between expected and actual experience	27,715	(17,138)
Benefit payments	(3,437)	(1,005)
Net change in total pension liability	325,545	274,981
Total pension liability - beginning	274,981	-
Total pension liability - ending	600,526	274,981
Plan Fiduciary Net Position		
Contributions - employer	196,318	182,233
Contributions - employee	101,788	90,476
Net investment income	11,056	4,119
Benefit payments	(3,437)	(1,005)
Administrative expense	(6,604)	(4,222)
Net change in plan fiduciary net position	299,121	271,601
Plan fiduciary net position - beginning	271,601	-
Plan fiduciary net position -ending	570,722	271,601
Net pension liability (asset)	\$ 29,804	\$ 3,380
Plan fiduciary net position as a percentage of the total pension liability	95.04%	98.77%
Covered payroll	\$ 2,411,773	\$ 2,238,733
Net pension liability as a percentage of covered payroll	1.24%	0.15%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
MMS POLITICAL SUBDIVISION PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30*

	2017	2016	2015
Actuarially determined contribution	\$ 230,248	\$ 196,318	\$ 182,233
Contributions	230,248	196,318	182,233
Contribution deficiency (surplus)	\$ -	\$ -	\$ -
Covered payroll	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
Contributions as a percentage of covered payroll	8.92%	8.14%	8.14%

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

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
CITY OF MILLINGTON OPEB
Last Ten Fiscal Years June 30

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2011	\$ -	\$ 10,558,534	\$ 10,558,534	0.0%	\$ 6,428,037	164%
7/1/2013	-	8,853,382	8,853,382	0.0%	5,658,639	156%
7/1/2015	-	7,915,825	7,915,825	0.0%	5,209,593	152%

CITY OF MILLINGTON, TENNESSEE**SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS****MMS OPEB**

Last Ten Fiscal Years June 30*

	2016
Total OPEB liability:	
Service cost	\$ 265,891
Interest	113,972
Benefit payments	(10,042)
Net change in total OPEB liability (asset)	369,821
Total OPEB liability-beginning	3,795,071
Total OPEB liability-ending	4,164,892
Plan fiduciary net position:	
Contributions-employer	209,913
Net investment income	10,242
Benefit payments	(10,042)
Net change in plan fiduciary net position	210,113
Plan fiduciary net position-beginning	50,000
Plan fiduciary net position-ending	260,113
Net OPEB liability-ending	\$ 3,904,779
Plan fiduciary net position as a percentage of the total OPEB liability	6.25%
Covered payroll	\$ 9,530,500
Net OPEB liability as a percentage of covered payroll	40.97%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
MMS OPEB
Last Ten Fiscal Years June 30*

	<u>2017</u>
Actuarially determined contribution	\$ 374,078
Contributions in relation to the actuarially determined contribution	<u>209,913</u>
Contribution deficiency (excess)	<u>\$ 164,165</u>
Covered payroll	\$ 9,530,500
Contributions as a percentage of covered payroll	2.20%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age level of percentage of salary
Amortization method	Straight line (for deferred outflow)
Amortization period	8.93 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8% decreasing 1% per year to an ultimate 5% for 2022 and therefore after
Salary increases	3.0%
Investment rate of return	4.25%
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2014 Mortality Fully Generational using Projection Scale MP-2015

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
MMS OPEB
Last Ten Fiscal Years June 30*

2017

Annual money-weighted rate of return, net of investment expense

10.02%

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
MMS OPEB
Last Ten Fiscal Years June 30*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
October 1, 2016	\$ 50,000	\$ 2,852,106	\$ 2,802,106	1.8%	\$ 9,530,500	29.4%

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MILLINGTON, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds							School Capital Projects Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund	School Federal Projects Fund	School Cafeteria Fund		
ASSETS									
Cash and cash equivalents	\$ 75,784	\$ 580,923	\$ 107,621	\$ 60,619	\$ 119,038	\$ 3,465	\$ 327,989	\$ 2,419,605	\$ 3,695,044
Receivables									
Fines and fees	-	227,971	-	-	48,606	-	240	-	276,817
Less allowance for doubtful accounts	-	(116,822)	-	-	(28,405)	-	-	-	(145,227)
Due from other governments	57,310	32,260	-	-	9,537	325,634	-	-	424,741
Inventory	-	-	-	-	-	-	24,999	-	24,999
Prepaid Items	-	20,916	-	-	1,828	-	-	-	22,744
Total assets	<u>\$ 133,094</u>	<u>\$ 745,248</u>	<u>\$ 107,621</u>	<u>\$ 60,619</u>	<u>\$ 150,604</u>	<u>\$ 329,099</u>	<u>\$ 353,228</u>	<u>\$ 2,419,605</u>	<u>\$ 4,299,118</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ 28,362	\$ 31,353	\$ 4,606	\$ -	\$ 5,398	\$ 3,466	\$ -	\$ -	\$ 73,185
Due to other funds	39,975	16,756	-	235	1,371	325,633	-	-	383,970
Total liabilities	<u>68,337</u>	<u>48,109</u>	<u>4,606</u>	<u>235</u>	<u>6,769</u>	<u>329,099</u>	<u>-</u>	<u>-</u>	<u>457,155</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue									
Grants	-	-	-	-	-	-	1,040	-	1,040
FUND BALANCES									
Nonspendable	-	20,916	-	-	1,828	-	24,999	-	47,743
Restricted	64,757	676,223	103,015	60,384	142,007	-	327,189	-	1,373,575
Assigned	-	-	-	-	-	-	-	2,419,605	2,419,605
Total fund balances	<u>64,757</u>	<u>697,139</u>	<u>103,015</u>	<u>60,384</u>	<u>143,835</u>	<u>-</u>	<u>352,188</u>	<u>2,419,605</u>	<u>3,840,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 133,094</u>	<u>\$ 745,248</u>	<u>\$ 107,621</u>	<u>\$ 60,619</u>	<u>\$ 150,604</u>	<u>\$ 329,099</u>	<u>\$ 353,228</u>	<u>\$ 2,419,605</u>	<u>\$ 4,299,118</u>

CITY OF MILLINGTON, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Special Revenue Funds							Total Nonmajor Governmental Funds
	State Street Aid Fund	Sanitation Fund	Drug Fund	DEA Drug Fund	Storm Water Fund	School Federal Projects Fund	School Cafeteria Fund	School Capital Projects Fund
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423,540
Intergovernmental gas tax	330,601	-	-	-	-	-	-	-
Charges for services	-	778,311	-	-	257,129	-	86,821	-
Fines, forfeitures, and penalties	-	-	9,644	42,593	-	-	-	-
Grants	-	-	-	-	-	2,358,850	1,626,746	12,853
Interest on investments	44	259	208	25	90	-	109	-
Other	-	2,226	-	-	732	-	270	-
Total revenues	330,645	780,796	9,852	42,618	257,951	2,358,850	1,713,946	436,393
EXPENDITURES								
Current								
Public safety	-	-	7,402	13,654	-	-	-	-
Transportation and environment	381,018	694,326	-	-	298,434	-	-	-
Education	-	-	-	-	-	2,091,902	1,571,764	-
Capital outlays	-	-	-	-	-	173,696	9,567	-
Total expenditures	381,018	694,326	7,402	13,654	298,434	2,265,598	1,581,331	1,438,896
Excess (deficiency) of revenues over (under) expenditures	(50,373)	86,470	2,450	28,964	(40,483)	93,252	132,615	(1,002,503)
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	1,263	4,615	5,408	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,950,000
Transfers out	-	-	-	-	-	(93,252)	-	-
Total other financing sources and uses	-	1,263	4,615	5,408	-	(93,252)	-	1,950,000
Net change in fund balances	(50,373)	87,733	7,065	34,372	(40,483)	-	132,615	947,497
Fund balances - beginning	115,130	609,406	95,950	26,012	184,318	-	219,573	1,472,108
Fund balances - ending	\$ 64,757	\$ 697,139	\$ 103,015	\$ 60,384	\$ 143,835	\$ -	\$ 352,188	\$ 2,419,605

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - state gas tax				
Gas motor fuel	\$ 212,897	\$ 212,897	\$ 211,374	\$ (1,523)
Gas 1989	34,183	34,183	33,873	(310)
Gas 3 cent	63,443	63,443	62,869	(574)
Petroleum special	23,993	23,993	22,485	(1,508)
Interest on investments	30	30	44	14
Total revenues	<u>334,546</u>	<u>334,546</u>	<u>330,645</u>	<u>(3,901)</u>
EXPENDITURES				
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Personnel costs	-	724	724	-
Materials and supplies	542,000	466,276	379,341	86,935
Other charges	4,600	4,600	953	3,647
Total expenditures	<u>546,600</u>	<u>471,600</u>	<u>381,018</u>	<u>90,582</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(212,054)	(137,054)	(50,373)	86,681
OTHER FINANCING SOURCES				
Transfers in	<u>212,054</u>	<u>137,054</u>	<u>-</u>	<u>(137,054)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(50,373)	<u>\$ (50,373)</u>
Fund balances - beginning			<u>115,130</u>	
Fund balances - ending			<u>\$ 64,757</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services				
Sanitation fees	\$ 760,000	\$ 760,000	\$ 778,311	\$ 18,311
Interest on investments	100	100	259	159
Other Income	-	-	2,226	2,226
Total revenues	<u>760,100</u>	<u>760,100</u>	<u>780,796</u>	<u>20,696</u>
EXPENDITURES				
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Personnel costs	611,781	611,813	573,716	38,097
Contractual services	24,795	24,796	15,907	8,889
Materials and supplies	98,600	98,664	87,370	11,294
Other charges	19,424	18,484	11,112	7,372
Capital outlay	5,500	6,343	6,221	122
Total expenditures	<u>760,100</u>	<u>760,100</u>	<u>694,326</u>	<u>65,774</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	86,470	86,470
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	1,263	1,263
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	87,733	<u>\$ 87,733</u>
Fund balances - beginning			<u>609,406</u>	
Fund balances - ending			<u>\$ 697,139</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 9,644	\$ 9,644
Interest on investments	-	-	208	208
Planned use of fund balance	27,810	27,810	-	(27,810)
Total revenues	<u>27,810</u>	<u>27,810</u>	<u>9,852</u>	<u>(17,958)</u>
EXPENDITURES:				
Public Safety				
Contractual services	1,660	1,660	1,660	-
Materials and supplies	8,000	8,000	1,200	6,800
Other charges	10,650	10,650	1,944	8,706
Capital outlay	7,500	7,500	2,598	4,902
Total expenditures	<u>27,810</u>	<u>27,810</u>	<u>7,402</u>	<u>20,408</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	2,450	2,450
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	4,615	4,615
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>7,065</u>	<u>\$ 7,065</u>
Fund balances - beginning			<u>95,950</u>	
Fund balances - ending			<u>\$ 103,015</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines, forfeitures, and penalties	\$ 30,000	\$ 30,000	\$ 42,593	\$ 12,593
Interest on investments	10	10	25	15
Planned use of fund balance	1,650	1,650	-	(1,650)
Total revenues	<u>31,660</u>	<u>31,660</u>	<u>42,618</u>	<u>10,958</u>
EXPENDITURES:				
Public Safety				
Contractual services	1,660	1,660	1,660	-
Materials and supplies	16,000	16,000	3,086	12,914
Other charges	5,000	5,000	339	4,661
Capital outlay	9,000	9,000	8,569	431
Total expenditures	<u>31,660</u>	<u>31,660</u>	<u>13,654</u>	<u>18,006</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	28,964	28,964
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	5,408	5,408
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>34,372</u>	<u>\$ 34,372</u>
Fund balances - beginning			<u>26,012</u>	
Fund balances - ending			<u>\$ 60,384</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for Services				
Storm water control fees	\$ 262,000	\$ 262,000	\$ 257,129	\$ (4,871)
Interest on investments	100	100	90	(10)
Other Income	-	-	732	732
Planned use of fund balance	114,905	114,905	-	(114,905)
Total revenues	377,005	377,005	257,951	(119,054)
EXPENDITURES				
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Personnel costs	222,375	222,375	222,375	-
Contractual services	51,795	42,629	41,793	836
Materials and supplies	62,000	63,265	16,948	46,317
Other charges	38,835	46,736	17,318	29,418
Capital outlay	2,000	2,000	-	2,000
Total expenditures	377,005	377,005	298,434	78,571
Net change in fund balances	\$ -	\$ -	(40,483)	\$ (40,483)
Fund balances - beginning			184,318	
Fund balances - ending			\$ 143,835	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 2,313,164	\$ 2,602,845	\$ 2,358,850	\$ (243,995)
EXPENDITURES				
EDUCATION				
Regular Instruction				
Personnel costs	1,041,550	1,068,810	1,005,843	62,967
Contractual services	95,362	106,699	73,048	33,651
Materials and supplies	79,079	110,075	74,357	35,718
Other charges	57,801	51,975	30,750	21,225
Special Education				
Personnel costs	577,538	587,807	543,934	43,873
Contractual services	77,858	112,054	94,095	17,959
Materials and supplies	4,121	10,858	4,135	6,723
Other charges	8,079	7,079	2,829	4,250
Shared Service Benefits				
Personnel costs	173,707	158,583	155,203	3,380
Contractual services	31,000	33,605	32,946	659
Materials and supplies	9,887	22,693	20,909	1,784
Other charges	5,000	8,291	8,287	4
Planning				
Personnel costs	-	28,553	28,286	267
Materials and supplies	-	10,496	10,482	14
Other charges	-	6,798	6,798	-
Capital outlays	118,203	177,334	173,696	3,638
Total expenditures	<u>2,279,185</u>	<u>2,501,710</u>	<u>2,265,598</u>	<u>236,112</u>
EXCESS OF REVENUES OVER EXPENDITURES	33,979	101,135	93,252	(7,883)
OTHER FINANCING USES				
Transfers out	<u>(33,979)</u>	<u>(101,135)</u>	<u>(93,252)</u>	<u>7,883</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>-</u>	
Fund balances - ending			<u>\$ -</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services				
Cafeteria fees	\$ 83,000	\$ 83,000	\$ 86,821	\$ 3,821
Grants	1,444,172	1,572,505	1,626,746	54,241
Interest on investments	50	50	109	59
Other income	-	-	270	270
Total revenues	<u>1,527,222</u>	<u>1,655,555</u>	<u>1,713,946</u>	<u>58,391</u>
EXPENDITURES				
EDUCATION				
Cafeteria				
Personnel costs	696,605	688,350	659,858	28,492
Contractual services	35,000	44,200	35,407	8,793
Materials and supplies	791,617	908,583	873,355	35,228
Other charges	-	4,000	3,144	856
Capital outlays	4,000	10,422	9,567	855
Total expenditures	<u>1,527,222</u>	<u>1,655,555</u>	<u>1,581,331</u>	<u>74,224</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	132,615	<u>\$ 132,615</u>
Fund balances - beginning			<u>219,573</u>	
Fund balances - ending			<u>\$ 352,188</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental				
County taxes	\$ -	\$ -	\$ 423,540	\$ 423,540
Grants	-	12,853	12,853	-
Planned use of fund balance	-	129,955	-	(129,955)
Total revenues	-	142,808	436,393	293,585
EXPENDITURES				
CAPITAL OUTLAY				
Architects	200,000	350,000	278,032	71,968
Consultants	-	2,548	2,548	-
Engineering services	400,000	400,000	354	399,646
Building construction	5,400,000	5,450,000	9,130	5,440,870
Building improvements	219,781	541,291	541,291	-
Food service equipment	-	12,854	12,854	-
Other capital outlay no location	300,000	606,161	594,687	11,474
Total expenditures	6,519,781	7,362,854	1,438,896	5,923,958
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(6,519,781)	(7,220,046)	(1,002,503)	6,217,543
OTHER FINANCING SOURCES				
Issuance of debt	6,269,781	4,000,000	-	(4,000,000)
Transfers in	250,000	1,950,000	1,950,000	-
Total Other Financing Sources	6,519,781	5,950,000	1,950,000	(4,000,000)
Net change in fund balances	\$ -	\$ (1,270,046)	947,497	\$ 2,217,543
Fund balances - beginning			1,472,108	
Fund balances - ending			\$ 2,419,605	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 4,207,038	\$ 6,203,332	\$ 2,109,690	\$ (4,093,642)
Interest on investments	-	-	404	404
Planned use of fund balance	407,541	407,541	-	(407,541)
Total revenues	<u>4,614,579</u>	<u>6,610,873</u>	<u>2,110,094</u>	<u>(4,500,779)</u>
EXPENDITURES				
CAPITAL OUTLAY				
Construction contracts	8,289,817	13,599,818	4,079,604	9,520,214
Equipment	399,398	385,691	242,636	143,055
Total expenditures	<u>8,689,215</u>	<u>13,985,509</u>	<u>4,322,240</u>	<u>9,663,269</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,074,636)	(7,374,636)	(2,212,146)	5,162,490
OTHER FINANCING SOURCES				
Issuance of debt	10,144,417	7,874,636	2,377,545	(5,497,091)
Transfers in	200,000	3,500,000	3,500,000	-
Transfers out	(6,269,781)	(4,000,000)	-	4,000,000
Total Other Financing Sources	<u>4,074,636</u>	<u>7,374,636</u>	<u>5,877,545</u>	<u>(1,497,091)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,665,399	<u>\$ 3,665,399</u>
Fund balances - beginning			<u>439,814</u>	
Fund balances - ending			<u>\$ 4,105,213</u>	

CITY OF MILLINGTON, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2017

	Beginning Balance	Increases	Decreases	Ending Balance
Assets				
Cash	\$ 264,897	\$ 551,593	\$ (512,329)	\$ 304,161
Inventory	3,918	1,910	-	5,828
	<u>\$ 268,815</u>	<u>\$ 553,503</u>	<u>\$ (512,329)</u>	<u>\$ 309,989</u>
Liabilities				
Due to student general fund	\$ 147,701	\$ 129,692	\$ (106,634)	\$ 170,759
Due to student groups	121,114	423,811	(405,695)	139,230
	<u>\$ 268,815</u>	<u>\$ 553,503</u>	<u>\$ (512,329)</u>	<u>\$ 309,989</u>

SUPPORTING SCHEDULES (UNAUDITED)

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL ACTIVITIES
June 30, 2017

Fiscal Year	General Obligation Capital Outlay Note 2010		Local Government Loan Program Bond Series 2011		Local Government Loan Program Bond Series 2013		Local Government Loan Program Bond Series 2015		Shelby County, TN Settlement Liability		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 105,000	\$ 14,837	\$ 204,000	\$ 143,016	\$ 49,000	\$ 26,399	\$ 198,400	\$ 127,148	\$ 181,974	\$ 48,245	\$ 738,374	\$ 359,645
2019	109,000	10,792	210,000	136,305	50,000	25,061	205,000	121,057	186,791	43,428	760,791	336,643
2020	113,000	6,596	218,000	129,396	52,000	23,696	209,000	114,806	191,737	38,482	783,737	312,976
2021	118,000	2,230	225,000	122,224	53,000	22,277	214,500	108,411	196,813	33,406	807,313	288,548
2022	-	-	184,000	114,821	55,000	20,830	391,000	99,268	202,023	28,196	832,023	263,115
2023	-	-	190,000	108,767	56,000	19,328	402,000	87,293	207,371	22,848	855,371	238,237
2024	-	-	196,000	102,516	58,000	17,800	440,000	74,579	212,861	17,358	906,861	212,253
2025	-	-	202,000	96,068	59,000	16,216	457,800	61,022	218,497	11,722	937,297	185,029
2026	-	-	209,000	89,422	61,000	14,606	469,500	47,020	224,333	5,937	963,833	156,985
2027	-	-	216,000	82,546	62,000	12,940	336,000	34,857	-	-	614,000	130,343
2028	-	-	223,000	75,440	64,000	11,248	324,000	24,891	-	-	611,000	111,579
2029	-	-	230,000	68,103	66,000	9,500	312,000	15,288	-	-	608,000	92,891
2030	-	-	238,000	60,536	68,000	7,699	300,000	6,046	-	-	606,000	74,281
2031	-	-	246,000	52,706	70,000	5,842	50,209	758	-	-	366,209	59,306
2032	-	-	254,000	44,612	71,000	3,931	-	-	-	-	325,000	48,543
2033	-	-	262,000	36,256	73,000	1,993	-	-	-	-	335,000	38,249
2034	-	-	271,000	27,636	-	-	-	-	-	-	271,000	27,636
2035	-	-	280,000	18,720	-	-	-	-	-	-	280,000	18,720
2036	-	-	289,000	9,508	-	-	-	-	-	-	289,000	9,508
	<u>\$ 445,000</u>	<u>\$ 34,455</u>	<u>\$ 4,347,000</u>	<u>\$ 1,518,598</u>	<u>\$ 967,000</u>	<u>\$ 239,366</u>	<u>\$ 4,309,409</u>	<u>\$ 922,445</u>	<u>\$ 1,822,400</u>	<u>\$ 249,622</u>	<u>\$ 11,890,809</u>	<u>\$ 2,964,486</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
BUSINESS-TYPE ACTIVITIES
June 30, 2017

Fiscal Year	State Revolving Loan Fund	
	Principal	Interest
2018	\$ 127,068	\$ 35,256
2019	128,880	33,444
2020	130,704	31,620
2021	132,564	29,760
2022	134,436	27,888
2023	136,344	25,980
2024	138,288	24,036
2025	140,244	22,080
2026	142,236	20,088
2027	144,252	18,072
2028	146,304	16,020
2029	148,380	13,944
2030	150,480	11,844
2031	152,616	9,708
2032	154,788	7,536
2033	156,984	5,340
2034	159,216	3,108
2035	134,362	837
	<u>\$ 2,558,146</u>	<u>\$ 336,561</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
For the Year Ended June 30, 2017

As of June 30, 2017, the City of Millington, Tennessee, served approximately 3,000 water, sewer, and sanitation customers and had the following rate structure in place:

Water Rates:

Gallons Used	Rate
First 2,000 gallons	\$ 10.50
Each additional 1,000 gallons	\$ 3.52

Sewer Rates:

Based on Gallons of Water Used	Rate
First 2,000 gallons	\$ 7.10
Each additional 1,000 gallons	\$ 3.42

Sanitation Rates:

Type	Monthly Charge
Residential	\$ 21.00

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF FIDELITY BONDS AND PRINCIPAL OFFICIALS
For the Year Ended June 30, 2017

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULES OF PROPERTY TAXES
For the Year Ended June 30, 2017

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

Year of Levy	Balance June 30, 2016	Assessment	Adjustments/ Abatements	Collections	June 30, 2017
2017	\$ -	\$ 3,025,724	\$ -	\$ -	\$ 3,025,724
2016	2,662,348	-	6,597	(2,551,093)	117,852
2015	78,316	-	(8,960)	(48,351)	21,005
2014	25,977	-	(2,368)	(9,460)	14,149
2013	12,599	-	(1,973)	(1,374)	9,252
2012	4,759	-	(94)	(539)	4,126
2011	3,649	-	(268)	(19)	3,362
2010	2,293	-	(116)	(59)	2,118
2009	1,554	-	(50)	(204)	1,300
2008	786	-	(23)	(185)	578
Prior Years	751	-	(120)	-	631
Total	2,793,032	<u>\$ 3,025,724</u>	<u>\$ (7,375)</u>	<u>\$ (2,611,284)</u>	3,200,097
Allowance for uncollectible property taxes	<u>(131,623)</u>				<u>(141,501)</u>
Net receivables	<u>2,661,409</u>				<u>3,058,596</u>

PROPERTY TAX RATES AND ASSESSMENTS -LAST 10 YEARS

Year of Levy	Realty and Personalty	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2017	\$ 188,394,465	\$ 9,365,292	\$ 197,759,757	\$ 1.53	\$ 3,025,724
2016	164,444,435	9,564,902	\$ 174,009,337	1.53	2,662,343
2015	169,360,610	10,470,983	\$ 179,831,593	1.53	2,751,423
2014	164,129,730	9,787,365	\$ 173,917,095	1.53	2,660,932
2013	168,185,180	9,682,797	\$ 177,867,977	1.53	2,721,380
2012	166,983,760	9,017,800	\$ 176,001,560	1.23	2,164,819
2011	169,234,480	9,043,000	\$ 178,277,480	1.23	2,192,813
2010	182,557,550	9,490,000	\$ 192,047,550	1.23	2,362,185
2009	174,747,779	9,357,031	\$ 184,104,810	1.23	2,264,489
2008	155,641,650	8,534,562	\$ 164,176,212	1.23	2,019,367
2007	139,290,570	8,178,224	\$ 147,468,794	1.23	1,813,866

DELINQUENT PROPERTY TAXES

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

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
For the Year Ended June 30, 2017

AWWA Free Water Audit Software: Reporting Worksheet						WAS v5.0 <small>American Water Works Association Copyright © 2014, All Rights Reserved</small>
<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 2px; margin-right: 5px;">?</div> Click to access definition <div style="border: 1px solid black; padding: 2px; margin-right: 5px;">+</div> Click to add a comment </div>		Water Audit Report for: City of Millington Reporting Year: 2017 7/2016 - 6/2017				
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades						
All volumes to be entered as: MILLION GALLONS (US) PER YEAR						
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.						
WATER SUPPLIED		<div style="display: flex; align-items: center;"> <div style="border-bottom: 1px solid black; width: 100px; margin-right: 5px;"></div> <div style="font-size: 0.8em;">Enter grading in column 'E' and 'J'</div> </div>			Master Meter and Supply Error Adjustments <div style="display: flex; justify-content: space-between;"> <div> Pct: <div style="border: 1px solid black; padding: 2px;">3</div> Value: <div style="border: 1px solid black; padding: 2px;">-6.000</div> </div> <div> Pct: <div style="border: 1px solid black; padding: 2px;"></div> Value: <div style="border: 1px solid black; padding: 2px;"></div> </div> </div>	
Volume from own sources: <div style="border: 1px solid black; padding: 2px;">4</div> <div style="border: 1px solid black; padding: 2px;">336.525</div> MG/Yr Water imported: <div style="border: 1px solid black; padding: 2px;"></div> <div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr Water exported: <div style="border: 1px solid black; padding: 2px;">n/a</div> <div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr				<div style="display: flex; justify-content: space-between;"> <div> Pct: <div style="border: 1px solid black; padding: 2px;"></div> Value: <div style="border: 1px solid black; padding: 2px;"></div> </div> <div> Pct: <div style="border: 1px solid black; padding: 2px;"></div> Value: <div style="border: 1px solid black; padding: 2px;"></div> </div> </div>		
WATER SUPPLIED:		342.525 MG/Yr		Enter negative % or value for under-registration Enter positive % or value for over-registration		
AUTHORIZED CONSUMPTION				Click here: <div style="border: 1px solid black; padding: 2px;">?</div> for help using option buttons below		
Billed metered: <div style="border: 1px solid black; padding: 2px;">7</div> <div style="border: 1px solid black; padding: 2px;">285.154</div> MG/Yr Billed unmetered: <div style="border: 1px solid black; padding: 2px;">n/a</div> <div style="border: 1px solid black; padding: 2px;"></div> MG/Yr Unbilled metered: <div style="border: 1px solid black; padding: 2px;">n/a</div> <div style="border: 1px solid black; padding: 2px;"></div> MG/Yr Unbilled unmetered: <div style="border: 1px solid black; padding: 2px;">9</div> <div style="border: 1px solid black; padding: 2px;">19.357</div> MG/Yr				Pct: <div style="border: 1px solid black; padding: 2px;"></div> Value: <div style="border: 1px solid black; padding: 2px;">19.357</div> MG/Yr Use buttons to select percentage of water supplied OR value		
Unbilled Unmetered volume entered is greater than the recommended default value						
AUTHORIZED CONSUMPTION:		304.511 MG/Yr				
WATER LOSSES (Water Supplied - Authorized Consumption)		38.014 MG/Yr				
Apparent Losses						
Unauthorized consumption: <div style="border: 1px solid black; padding: 2px;"></div> <div style="border: 1px solid black; padding: 2px;">0.856</div> MG/Yr						
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed						
Customer metering inaccuracies: <div style="border: 1px solid black; padding: 2px;">8</div> <div style="border: 1px solid black; padding: 2px;">15.008</div> MG/Yr						
Systematic data handling errors: <div style="border: 1px solid black; padding: 2px;"></div> <div style="border: 1px solid black; padding: 2px;">0.713</div> MG/Yr						
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed						
Apparent Losses:		16.577 MG/Yr				
Real Losses (Current Annual Real Losses or CARL)						
Real Losses = Water Losses - Apparent Losses:		21.437 MG/Yr				
WATER LOSSES:		38.014 MG/Yr				
NON-REVENUE WATER						
NON-REVENUE WATER:		57.371 MG/Yr				
= Water Losses + Unbilled Metered + Unbilled Unmetered						
SYSTEM DATA						
Length of mains: <div style="border: 1px solid black; padding: 2px;">5</div> <div style="border: 1px solid black; padding: 2px;">55.8</div> miles						
Number of active AND inactive service connections: <div style="border: 1px solid black; padding: 2px;">7</div> <div style="border: 1px solid black; padding: 2px;">4,706</div>						
Service connection density: <div style="border: 1px solid black; padding: 2px;"></div> <div style="border: 1px solid black; padding: 2px;">84</div> conn./mile main						
Are customer meters typically located at the curbside or property line? <div style="border: 1px solid black; padding: 2px;">Yes</div>				(length of service line, beyond the property boundary, that is the responsibility of the utility)		
Average length of customer service line: <div style="border: 1px solid black; padding: 2px;"></div>				Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure: <div style="border: 1px solid black; padding: 2px;">2</div> <div style="border: 1px solid black; padding: 2px;">65.0</div> psi						
COST DATA						
Total annual cost of operating water system: <div style="border: 1px solid black; padding: 2px;">9</div> <div style="border: 1px solid black; padding: 2px;">\$1,145,053</div> \$/Year						
Customer retail unit cost (applied to Apparent Losses): <div style="border: 1px solid black; padding: 2px;">10</div> <div style="border: 1px solid black; padding: 2px;">\$3.35</div> \$/1000 gallons (US)						
Variable production cost (applied to Real Losses): <div style="border: 1px solid black; padding: 2px;">10</div> <div style="border: 1px solid black; padding: 2px;">\$482.17</div> \$/Million gallons				<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses		
WATER AUDIT DATA VALIDITY SCORE:						
				*** YOUR SCORE IS: 65 out of 100 ***		
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score						
PRIORITY AREAS FOR ATTENTION:						
Based on the information provided, audit accuracy can be improved by addressing the following components:						
1: Volume from own sources						
2: Billed metered						
3: Unauthorized consumption						

(CONTINUED ON NEXT PAGE)

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
For the Year Ended June 30, 2017

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved.
Water Audit Report for: City of Millington		
Reporting Year: 2017 7/2016 - 6/2017		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 65 out of 100 ***		
System Attributes:		
	Apparent Losses:	16.577 MG/yr
+	Real Losses:	21.437 MG/yr
=	Water Losses:	38.014 MG/yr
?	Unavoidable Annual Real Losses (UARL):	23.91 MG/yr
	Annual cost of Apparent Losses:	\$55,534
	Annual cost of Real Losses:	\$10,336
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	16.7%
	Non-revenue water as percent by cost of operating system:	6.6% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	9.65 gallons/connection/day
	Real Losses per service connection per day:	12.48 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.19 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	21.44 million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	0.90
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

GOVERNMENT AUDITING STANDARDS SECTION

CITY OF MILLINGTON, TENNESSEE**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
<u>U.S. Department of Housing and Urban Development</u>			
Pass-Through Funding:			
Shelby County, TN / Community Development Block Grants	14.218		\$ 754,140
State of TN / Community Development Block Grant Disaster Recovery Grant	14.269		120,995
Total U.S. Department of Housing and Urban Development			<u>875,135</u>
<u>U.S. Department of Transportation</u>			
Pass-Through Funding:			
State of TN / Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	090009	18,344
Highway Planning and Construction	20.205		739,769
Subtotal - Highway Planning and Construction Cluster			<u>758,113</u>
State of TN / Federal Lands Access Program	20.224		52,317
Total U.S. Department of Transportation			<u>810,430</u>
<u>Delta Regional Authority</u>			
Direct Funding:			
Delta Area Economic Development	90.201		5,338
<u>U.S. Department of Homeland Security</u>			
Pass-Through Funding:			
City of Memphis, TN / National Urban Search and Rescue Response System	97.025		2,195
Total Federal Awards			1,693,098
<u>State Financial Assistance</u>			
TN Dept of Economic and Community Development	N/A		69,812
TN Dept of Environment and Conservation / Local Park and Recreation Fund	N/A		28,000
Total State Financial Assistance			<u>97,812</u>
Total Federal Awards and State Financial Assistance			<u>\$ 1,790,910</u>

See independent auditor's report and accompanying notes to the schedule.

CITY OF MILLINGTON, TENNESSEE**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**For the Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of the City of Millington, Tennessee (the "City") under programs of the federal and state government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a reconciliation of expenditures per the schedule of expenditures of federal awards and state financial assistance to the revenue balances in the City's financial statements.

Total grant revenue per governmental funds financial statements	\$ 6,654,388
MMS federal awards	(4,193,466)
Non-federal MMS grants	(293,414)
Change in unavailable revenue	367,095
Non-federal and non-state grants	(743,693)
Total federal awards and state financial assistance	<u>\$ 1,790,910</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2017. Our report includes a reference to other auditors who audited the financial statements of Millington Municipal Schools, (the "School"), as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The script is cursive and fluid, with the letters "W", "M", and "P" being particularly prominent.

Memphis, Tennessee
December 20, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Millington, Tennessee (the "City")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Millington Municipal Schools (the "School") which received \$4,193,466 in federal awards which is not included in the City's schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2017. Our audit, described below, did not include the operations of the School because the School engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

Memphis, Tennessee
December 20, 2017

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Millington, Tennessee (the "City") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award program for the City expresses an unmodified opinion on the major program.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a)
7. The program tested as a major program was CFDA number 14.218 – Community Development Block Grants.
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

None reported.

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

None reported.

CITY OF MILLINGTON, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

None