

**CITY OF MILLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS**

June 30, 2018



**CITY OF MILLINGTON, TENNESSEE  
TABLE OF CONTENTS**

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	Page
<b><u>INTRODUCTORY SECTION</u></b>	
Roster of Elected and Appointed Officials	1
<b><u>FINANCIAL SECTION</u></b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	2
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements:</b>	
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
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
<b>Notes to Financial Statements</b>	31
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
City of Millington Public Employee Pension Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	59
– Schedule of Contributions	60
MMS Teacher Legacy Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	61
– Schedule of Contributions	62
MMS Teacher Retirement Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	63
– Schedule of Contributions	64
MMS Political Subdivision Pension Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	65
– Schedule of Contributions	66
City of Millington OPEB	
– Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	67

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

	Page
MMS OPEB	
– Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	68
– Schedule of Contributions	69
– Schedule of Investment Returns	70
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
<b>Nonmajor Governmental Fund Combining Financial Statements</b>	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
<b>Governmental Individual Fund Schedules:</b>	
<u>Special Revenue Funds</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
– State Street Aid Fund	73
– Sanitation Fund	74
– Drug Fund	75
– DEA Drug Fund	76
– Storm Water Fund	77
– School Federal Projects Fund	78
– School Cafeteria Fund	81
<u>Capital Projects Funds</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– Capital Improvements Fund	82
– School Capital Projects Fund	83
<b>Agency Fund Combining Financial Statements</b>	
Statement of Changes in Assets and Liabilities	84
<b>SUPPORTING SCHEDULES (UNAUDITED)</b>	
Schedule of Long-term Debt, Principle and Interest Requirements	
– Governmental Activities	85
– Business-type Activities	86
Schedule of Utility Rate Structure and Number of Customers	87
Schedule of Fidelity Bonds of Principal Officials	88
Schedules of Property Taxes	89
Schedule of Unaccounted for Water	90
<b><u>GOVERNMENT AUDITING STANDARDS SECTION</u></b>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	92
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	93
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>	94
Schedule of Prior Year Findings and Questioned Costs	96

## **INTRODUCTORY SECTION**

**CITY OF MILLINGTON, TENNESSEE**  
**ROSTER OF ELECTED AND APPOINTED OFFICIALS**  
June 30, 2018

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**CITY OF MILLINGTON BOARD OF MAYOR AND ALDERMEN**

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Terry Jones, Mayor  
Larry Dagen, Vice Mayor  
Bethany Huffman, Alderman  
Al Bell, Alderman

Frankie Dakin, Alderman  
Thomas McGhee, Alderman  
Don Lowry, Alderman  
Mike Caruthers, Alderman

**CITY OF MILLINGTON OFFICIALS**

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City Manager  
City Clerk  
Finance and Administration  
Judge  
Public Works  
Planning and Economic Development  
Public Safety

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

**MILLINGTON MUNICIPAL SCHOOLS BOARD OF EDUCATION**

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

Christopher Denson, Board Member  
Larry Jackson, Board Member  
Barbara Halliburton, Board Member

**MILLINGTON MUNICIPAL SCHOOLS OFFICIALS**

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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\*  
Stacy Ross  
Matthew Howser  
Oscar Brown  
Georgia Dawson  
Jill Church  
Jeana Decker

\* 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Millington Municipal Schools (the "School"), which includes the general purpose school fund, a major fund, and the remaining funds of the School. The School funds are presented as special revenue funds in the financial statements of the City and represent 48.6 percent, 55.4 percent, and 65.5 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors whose 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, 2018, 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.

### Change in Accounting Principle

The City of Millington, Tennessee has adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

### Emphasis of a Matter

We draw attention to Note 1E to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$977,971 and increasing the beginning Business-Type Activities net position by \$591,364 on the Government-wide Statement of Activities. This restatement was necessary because of the transitional requirement of GASB

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**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 21, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 21, 2018



**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

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**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, 2018. 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, 2018 by \$120,887,965 (net position). Of this amount, \$22,985,633 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2018, the City's governmental funds reported total fund balances of \$21,893,099. Of this amount, \$2,726,025 (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 \$8,158,999. This included a commitment of \$3,725,403 for financial stabilization, \$1,000,000 for emergencies and \$438,240 for library construction. The unassigned fund balance of \$2,726,025 represents 21% of total General Fund budgeted expenditures and transfers for FY19.
- During the fiscal year, no new debt was issued or drawn for governmental capital improvements. The City retired \$738,325 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, 2018. 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, 2018

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**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 eleven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, General Purpose School Fund, Capital Improvements Fund and the School Capital Projects Fund, which are considered to be major funds. Data from the other seven 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 25 and for all other governmental funds on pages 73 through 83 to demonstrate compliance with the annual appropriated budget.

The basic governmental funds 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 26 through 28.

**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 29 and 30.

**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 31 through 58 of this report.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

**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 59 through 70.

**Other Information.** This report also presents certain information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. This information is presented in Note 9 through Note 11 of this report.

**New Governmental Accounting Standards Board ("GASB") Pronouncements.** The City has adopted one (1) new GASB Pronouncement, which relates other postemployment benefits. More information on this standard is presented in Note 1E on page 38.

**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, 2018.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 29,065	\$ 25,784	\$ 10,214	\$ 8,789	\$ 39,279	\$ 34,573
Capital assets	92,337	93,388	15,151	15,460	107,488	108,848
Total assets	121,402	119,172	25,365	24,249	146,767	143,421
Deferred outflows of resources	5,076	6,920	109	137	5,185	-
Noncurrent liabilities	17,632	21,144	2,930	3,749	20,562	24,893
Other liabilities	3,588	1,523	278	97	3,866	1,620
Total liabilities	21,220	22,667	3,208	3,846	24,428	26,513
Deferred inflows of resources	6,511	6,048	125	113	6,636	6,161
Net position:						
Invested in capital assets, net of related debt	82,826	83,319	12,720	12,902	95,546	96,221
Restricted	2,274	1,281	83	-	2,357	1,281
Unrestricted	13,647	12,777	9,338	7,525	22,985	20,302
Total net position	\$ 98,747	\$ 97,377	\$ 22,141	\$ 20,427	\$ 120,888	\$ 117,804

By far the largest portion of the City's net position (79%) 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 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$22,985,633) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

<b>Condensed Statement of Activities</b> (dollars expressed in thousands)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues :						
Program Revenues :						
Charges for services	\$ 2,538	\$ 2,397	\$ 3,553	\$ 3,143	\$ 6,091	\$ 5,540
Operating grants and contributions	28,476	29,926	-	-	28,476	29,926
Capital grants and contributions	712	2,183	95	-	807	2,183
General Revenues :						
Local taxes	9,464	9,011	-	-	9,464	9,011
Intergovernmental revenues	2,018	2,195	-	-	2,018	2,195
Interest on Investments	18	9	10	6	28	15
Gain on sale of assets	-	61	2	6	2	67
Other revenue	356	621	-	-	356	621
Total Revenues	<u>43,582</u>	<u>46,403</u>	<u>3,660</u>	<u>3,155</u>	<u>47,242</u>	<u>49,558</u>
Expenses :						
General government	2,509	2,483	-	-	2,509	2,483
Public safety	5,838	5,493	-	-	5,838	5,493
Community services	4,864	2,703	-	-	4,864	2,703
Transportation and environment	1,203	3,472	-	-	1,203	3,472
Education	26,539	27,378	-	-	26,539	27,378
Interest on long-term debt	281	405	-	-	281	405
Bond issuance costs	-	-	-	-	-	-
Water	-	-	1,034	1,143	1,034	1,143
Sewer	-	-	1,503	1,482	1,503	1,482
Total Expenses	<u>41,234</u>	<u>41,934</u>	<u>2,537</u>	<u>2,625</u>	<u>43,771</u>	<u>44,559</u>
Special Item:						
Impairment of MMS capital assets	-	-	-	-	-	-
Increase/(Decrease) in Net Position	2,348	4,469	1,123	530	3,471	4,999
Net Position - Beginning	97,377	92,908	20,427	19,897	117,804	112,805
Effect of change in accounting princ	(978)	-	591	-	(387)	-
Net Position - Beginning	<u>96,399</u>	<u>92,908</u>	<u>21,018</u>	<u>19,897</u>	<u>117,417</u>	<u>112,805</u>

**Governmental activities.** Governmental activities increased the City's net position by \$1,370,200. This is the net effect of revenues exceeding expenses by \$2,348,171 and \$(977,971) as the negative effect of implementing a new GASB Pronouncement, which relates other postemployment benefits. The significant decrease in revenues is Grants and Contributions related to completion of some projects and less grant funds available to the City.

**Business-type activities.** Business-type activities increased the City's net position by \$1,714,154. This is the net effect of revenues exceeding expenses by \$1,122,790 and \$591,364 as the positive effect of implementing a new GASB Pronouncement, which relates other postemployment benefits. The Water Fund increased by \$603,282 in net position. The Sewer Fund increased by \$1,110,872 in net position due to higher rates and use, as well as the effect of the new GASB pronouncement.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

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**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, 2018, the City's governmental funds reported combined ending fund balances of \$21,893,099, an increase of \$1,450,872 in comparison with the prior year. Approximately 12% of this total amount (\$2,726,025) 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, \$296,463, restricted, \$1,452,376, committed, \$5,163,643, and assigned \$12,254,592. The General Fund is the chief operating fund of the City.

At June 30, 2018, unassigned fund balance of the General Fund was \$2,726,025, while the total fund balance reached \$8,158,999. 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 22% of total General Fund Expenditures and Transfers Out, while total fund balance represents 66% of that same amount.

The fund balance of the City's General Fund increased by \$654,307 during the fiscal year ended June 30, 2018 compared to a \$1,909,606 decrease the prior year. The prior year 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 \$2,200,000 more than in FY18. Otherwise, revenues and expenditures are comparable for both years.

The decrease in the fund balance for the General Purpose School Fund of \$1,027,316 was the result of a transfer to School Capital Projects Fund of \$3,000,000 for pay-as-you-go capital funding offset by consistent conservative control of expenditures.

The increase in the fund balance for Other Governmental Funds was \$56,528.

**Proprietary funds.** The City's Water and Sewer Funds both had a positive change in net position for FY18. User fees support these funds.

**General Fund Budgetary Highlights**

The General Fund revenues were lower than budgeted by 4% or \$497,079. When excluding \$890,000 budgeted as planned use of fund balance, revenues actually exceeded budget by 3% (392,921). The overage was a combination of the following categories:

- Property Taxes over budget by \$294,968.
- Fines, Forfeitures and Penalties were \$75,695 over budget due to higher than expected collections.

General Fund expenditures were lower than budgeted by 8% or \$942,090 and transfers to other funds were lower by \$210,802 for a combined amount of \$1,152,892. 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 \$429,533, with personnel savings being \$255,150 of that amount. 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, 2018

**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, 2018 amounts to \$107,488,401 (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 decreased \$1,359,747. Governmental activities decreased \$1,050,234 or 1% and business activities decreased \$309,513 or 2%.

Additional information on the City's capital assets can be found in Note 6.

**Condensed Statement of Capital Assets**  
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,279	\$ 6,296	\$ 727	\$ 727	\$ 7,006	\$ 7,023
Buildings and improvements	57,373	57,276	28,751	28,559	86,124	85,835
Infrastructure	35,778	35,671	-	-	35,778	35,671
Furnishing and equipment	2,158	1,938	3,898	3,898	6,056	5,836
Vehicles	4,312	4,090	762	762	5,074	4,852
Construction in process	2,838	2,153	359	29	3,197	2,182
	108,738	107,424	34,497	33,975	143,235	141,399
Less accumulated depreciation	(16,401)	(14,036)	(19,346)	(18,515)	(35,747)	(32,551)

**Noncurrent Liabilities.** At June 30, 2018 the City had total noncurrent liabilities of \$21,542,541. Of this amount \$18,483,472 comprises debt for governmental activities and \$3,059,069 represents debt for business-type activities.

**Condensed Statement of Outstanding Debt**  
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation notes payable	\$ 9,512	\$ 10,068	\$ -	\$ -	\$ 9,512	\$ 10,068
Shelby County Board of Education settlement liability	1,641	1,823	-	-	1,641	1,823
Notes payable - construction	-	-	2,431	2,558	2,431	2,558
Compensated absences	378	371	74	72	452	443
Net other post employment benefit obligation	6,953	7,105	554	1,119	7,507	8,224
Net pension liability	-	1,777	-	-	-	1,777

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 7.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

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**Economic Factors and Next Year's Budgets and Rates**

Factors considered in preparing the City's Budget for the 2019 fiscal year are more fully discussed in the Budget document and include:

- The Board of Mayor and Aldermen approved a tax rate to fund FY19 expenditures of \$1.53 per \$100 of assessed value. This is the same rate approved for FY18.
- City service rates for water, sewer, and sanitation increased by 11.5%, 4.2%, 9.5%, respectively, while rates for storm water remain the same.
- The City has budgeted for a \$5,000,000 debt issue for future public improvements. The City expects to draw the final \$1,497,091 from its Series 2015 Note Payable and \$2,605,488 from this new issue for a total of \$4,102,579 to be drawn in FY19.
- The City has also budgeted for a \$2,000,000 debt issue for capital projects for schools, with the school system responsible for repayment of the debt. All of this issue will be drawn in FY19.
- 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, 2018, Fiscal Year 2019 Approved Budget Document and other information about the City may be found on the City's website, [www.millingtontn.gov](http://www.millingtontn.gov).

## **BASIC FINANCIAL STATEMENTS**



**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,347,473	\$ 9,605,120	\$ 28,952,593
Short-term investments	2,000,000	-	2,000,000
Receivables			
Taxes	3,268,390	-	3,268,390
Fines and fees	2,011,338	578,957	2,590,295
Other	19,963	4,264	24,227
Less allowance for doubtful accounts	(1,903,672)	(258,768)	(2,162,440)
Due from other governments	3,206,906	126,675	3,333,581
Internal balances	(22,905)	22,905	-
Inventories	35,524	-	35,524
Restricted cash	19,532	-	19,532
Prepaid items	260,939	52,682	313,621
Capital assets, not being depreciated	9,117,404	1,086,372	10,203,776
Capital assets, being depreciated, net	83,220,183	14,064,442	97,284,625
Net pension asset	821,421	83,221	904,642
Total assets	<u>121,402,496</u>	<u>25,365,870</u>	<u>146,768,366</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	5,075,705	108,756	5,184,461
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,364,019	128,475	2,492,494
Accrued interest payable	75,203	-	75,203
Customer deposits	-	2,825	2,825
Unearned revenue	297,594	17,631	315,225
Noncurrent liabilities:			
Due within one year	850,959	128,880	979,839
Due in more than one year	10,679,594	2,375,959	13,055,553
Net OPEB liability	6,952,919	554,230	7,507,149
Total liabilities	<u>21,220,288</u>	<u>3,208,000</u>	<u>24,428,288</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Current property taxes assessed for subsequent period	2,981,368	-	2,981,368
Related to pension	3,092,239	125,375	3,217,614
Related to OPEB	437,592	-	437,592
Total deferred inflows of resources	<u>6,511,199</u>	<u>125,375</u>	<u>6,636,574</u>
<b>NET POSITION</b>			
Net investment in capital assets	82,825,578	12,719,736	95,545,314
Restricted for:			
Net pension asset	821,421	83,221	904,642
Transportation and environment	806,220	-	806,220
Public safety programs	189,893	-	189,893
Education	456,263	-	456,263
Unrestricted	13,647,339	9,338,294	22,985,633
Total net position	<u>\$ 98,746,714</u>	<u>\$ 22,141,251</u>	<u>\$ 120,887,965</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

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
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 2,508,944	\$ 145,396	\$ 33,879	\$ -	\$ (2,329,669)	\$ -	\$ (2,329,669)
Public safety	5,837,978	613,765	200,165	-	(5,024,048)	-	(5,024,048)
Transportation and environment	4,864,299	1,418,011	17,686	711,894	(2,716,708)	-	(2,716,708)
Community services	1,202,522	275,506	36,739	-	(890,277)	-	(890,277)
Education	26,539,362	85,364	28,187,363	-	1,733,365	-	1,733,365
Interest on long-term debt	281,183	-	-	-	(281,183)	-	(281,183)
Total governmental activities	41,234,288	2,538,042	28,475,832	711,894	(9,508,520)	-	(9,508,520)
Business-type Activities:							
Water	1,034,364	1,362,533	-	-	-	328,169	328,169
Sewer	1,502,818	2,190,316	-	94,786	-	782,284	782,284
Total business-type activities	2,537,182	3,552,849	-	94,786	-	1,110,453	1,110,453
Total primary government	\$ 43,771,470	\$ 6,090,891	\$ 28,475,832	\$ 806,680	(9,508,520)	1,110,453	(8,398,067)
General revenues:							
Property taxes					3,190,844	-	3,190,844
Local option sales tax					5,252,513	-	5,252,513
Other taxes							
Wholesale liquor and beer taxes					445,677	-	445,677
Business and hotel-motel taxes					575,281	-	575,281
Intergovernmental revenues:							
State sales tax					953,138	-	953,138
State income tax					194,992	-	194,992
Other state revenue					869,947	-	869,947
Other revenue					356,432	-	356,432
Interest on investments					17,867	10,694	28,561
Gain on sale of capital assets					-	1,643	1,643
Total general revenues and transfers					11,856,691	12,337	11,869,028
Change in net position					2,348,171	1,122,790	3,470,961
Net position - beginning, as previously reported					97,376,514	20,427,097	117,803,611
Effect of change in accounting principle					(977,971)	591,364	(386,607)
Net position - beginning, as restated					96,398,543	21,018,461	117,417,004
Net position - ending					\$ 98,746,714	\$ 22,141,251	\$ 120,887,965

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Capital Improvements Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,150,559	\$ 1,819,022	\$ 4,346,477	\$ 4,693,564	\$ 1,337,851	\$ 19,347,473
Short-term investments	-	2,000,000	-	-	-	2,000,000
Receivables						
Property taxes	3,268,390	-	-	-	-	3,268,390
Fines and fees	1,709,762	-	-	-	301,576	2,011,338
Other	2,424	17,539	-	-	-	19,963
Less allowance for doubtful accounts	(1,746,729)	-	-	-	(156,943)	(1,903,672)
Due from other governments	1,200,134	1,438,104	125,413	-	443,255	3,206,906
Due from other funds	9,565	264,506	15,278	-	5,409	294,758
Inventory	33,184	-	-	-	2,340	35,524
Restricted cash	19,532	-	-	-	-	19,532
Prepaid Items	236,147	1,542	-	-	23,250	260,939
 Total assets	 <u>\$ 11,882,968</u>	 <u>\$ 5,540,713</u>	 <u>\$ 4,487,168</u>	 <u>\$ 4,693,564</u>	 <u>\$ 1,956,738</u>	 <u>\$ 28,561,151</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 587,164	\$ 1,040,989	\$ 46,963	\$ 513,480	\$ 175,423	\$ 2,364,019
Due to other funds	15,333	-	-	-	302,330	317,663
Unearned revenue	8,787	-	287,668	-	-	296,455
Total liabilities	<u>611,284</u>	<u>1,040,989</u>	<u>334,631</u>	<u>513,480</u>	<u>477,753</u>	<u>2,978,137</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue						
Property taxes	3,112,685	-	-	-	-	3,112,685
Grants	-	535,641	40,450	-	1,139	577,230
Total deferred inflows of resources	<u>3,112,685</u>	<u>535,641</u>	<u>40,450</u>	<u>-</u>	<u>1,139</u>	<u>3,689,915</u>
<b>FUND BALANCES</b>						
Nonspendable	269,331	1,542	-	-	25,590	296,463
Restricted	-	5,428	-	-	1,446,948	1,452,376
Committed	5,163,643	-	-	-	-	5,163,643
Assigned	-	3,957,113	4,112,087	4,180,084	5,308	12,254,592
Unassigned	2,726,025	-	-	-	-	2,726,025
Total fund balances	<u>8,158,999</u>	<u>3,964,083</u>	<u>4,112,087</u>	<u>4,180,084</u>	<u>1,477,846</u>	<u>21,893,099</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 11,882,968</u>	 <u>\$ 5,540,713</u>	 <u>\$ 4,487,168</u>	 <u>\$ 4,693,564</u>	 <u>\$ 1,956,738</u>	 <u>\$ 28,561,151</u>

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, 2018

Total fund balances, governmental funds		\$ 21,893,099
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	\$ 107,510,199	
Less: accumulated depreciation	<u>(15,172,612)</u>	92,337,587
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		707,408
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: bonds payable	(9,512,009)	
Less: settlement obligation, net of unamortized discount	<u>(1,640,475)</u>	(11,152,484)
(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	(75,203)	
Less: compensated absences payable	<u>(378,069)</u>	(453,272)
(5) Pension assets (liabilities) and other postemployment benefit (OPEB) liabilities result from the excess (deficiency) of trust assets over (under) total pension and OPEB liabilities. The amounts are not available for use in the current period; therefore, are not reported in the funds.		
Add: net pension asset	821,421	
Less: net pension liability	-	
Less: net OPEB liability	<u>(6,952,919)</u>	(6,131,498)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	5,075,705	
Less: deferred inflows of resources related to pensions	(3,092,239)	
Less: deferred inflows of resources related to OPEB	<u>(437,592)</u>	<u>1,545,874</u>
Net position of governmental activities		<u>\$ 98,746,714</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, 2018

	General Fund	General Purpose School Fund	Capital Improvements Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 3,217,210	\$ 10,163,065	\$ -	\$ -	\$ -	\$ 13,380,275
Local sales taxes	6,273,471	44,347	-	-	-	6,317,818
Intergovernmental	2,018,077	13,524,099	-	-	-	15,542,176
Intergovernmental gas tax	-	-	-	-	395,699	395,699
Licenses and permits	380,615	-	-	-	-	380,615
Charges for services	275,566	-	-	-	1,268,096	1,543,662
Fines, forfeitures, and penalties	563,195	-	-	-	50,570	613,765
Federal, state, and other grants	90,295	418,401	766,920	407,608	3,693,500	5,376,724
Interest on investments	15,265	-	1,843	-	759	17,867
Other	86,842	265,578	1,839	-	2,173	356,432
Total revenues	<u>12,920,536</u>	<u>24,415,490</u>	<u>770,602</u>	<u>407,608</u>	<u>5,410,797</u>	<u>43,925,033</u>
<b>EXPENDITURES</b>						
Current						
General government	1,805,167	-	-	-	-	1,805,167
Public safety	5,505,970	-	-	-	26,527	5,532,497
Transportation and environment	681,148	-	-	-	1,758,901	2,440,049
Community services	1,526,107	-	-	-	-	1,526,107
Education	-	22,770,907	-	-	3,586,775	26,357,682
Debt Service						
Principal	556,400	181,925	-	-	-	738,325
Interest and fiscal charges	311,400	48,294	-	-	-	359,694
Capital outlays	-	29,397	2,063,728	1,647,129	-	3,740,254
Total expenditures	<u>10,386,192</u>	<u>23,030,523</u>	<u>2,063,728</u>	<u>1,647,129</u>	<u>5,372,203</u>	<u>42,499,775</u>
Excess (deficiency) of revenues over (under) expenditures	2,534,344	1,384,967	(1,293,126)	(1,239,521)	38,594	1,425,258
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	23,494	-	-	-	2,120	25,614
Transfers in	-	587,717	1,300,000	3,000,000	103,531	4,991,248
Transfers out	(1,903,531)	(3,000,000)	-	-	(87,717)	(4,991,248)
Total other financing sources and uses	<u>(1,880,037)</u>	<u>(2,412,283)</u>	<u>1,300,000</u>	<u>3,000,000</u>	<u>17,934</u>	<u>25,614</u>
Net change in fund balances	654,307	(1,027,316)	6,874	1,760,479	56,528	1,450,872
Fund balances - beginning	<u>7,504,692</u>	<u>4,991,399</u>	<u>4,105,213</u>	<u>2,419,605</u>	<u>1,421,318</u>	<u>20,442,227</u>
Fund balances - ending	<u>\$ 8,158,999</u>	<u>\$ 3,964,083</u>	<u>\$ 4,112,087</u>	<u>\$ 4,180,084</u>	<u>\$ 1,477,846</u>	<u>\$ 21,893,099</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, 2018

Net change in fund balance - total governmental funds		\$ 1,450,872
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	\$ 1,797,376	
Less: depreciation expense	<u>(2,547,047)</u>	(749,671)
(2) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.		(300,563)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(45,676)	
Sales and income taxes	(44,347)	
Grant revenue	<u>(252,551)</u>	(342,574)
(4) 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		738,325
(5) 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	78,511	
Change in compensated absences	<u>(7,212)</u>	71,299
(6) Payments of contributions to the pension plans and OPEB plan are recorded as expenditures in the governmental funds. Pension expense and OPEB expense are recorded on an actuarially determined basis in the statement of activities.		
Difference between actual contributions and pension expense	787,645	
Difference between actual contributions and OPEB expense	<u>692,838</u>	<u>1,480,483</u>
Change in net position of governmental activities		<u>\$ 2,348,171</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes	\$ 2,525,000	\$ 2,630,000	\$ 2,917,676	\$ 287,676
Payments in lieu of taxes	265,242	265,242	274,521	9,279
Property tax interest and penalties	27,000	27,000	25,013	(1,987)
Total property taxes	<u>2,817,242</u>	<u>2,922,242</u>	<u>3,217,210</u>	<u>294,968</u>
<b>LOCAL TAXES</b>				
Local sales tax	4,930,000	5,300,000	5,252,513	(47,487)
Wholesale beer and liquor tax	465,000	465,000	445,677	(19,323)
Business tax	371,200	371,200	401,341	30,141
Hotel/motel tax	187,000	187,000	173,940	(13,060)
Total local taxes	<u>5,953,200</u>	<u>6,323,200</u>	<u>6,273,471</u>	<u>(49,729)</u>
<b>INTERGOVERNMENTAL</b>				
State of Tennessee shared revenues				
Sales tax	926,000	926,000	953,138	27,138
Income tax	10,000	10,000	(4,671)	(14,671)
Beer tax	5,400	5,400	5,193	(207)
Liquor tax	33,000	33,000	44,347	11,347
Bank excise tax	20,000	20,000	18,406	(1,594)
Receipts in lieu of tax - TVA	131,000	131,000	131,717	717
Public safety pay supplements	-	25,200	25,200	-
Receipts in lieu of tax	150,000	150,000	165,239	15,239
Fire and ambulance fees	681,928	681,928	679,508	(2,420)
Total state shared taxes	<u>1,957,328</u>	<u>1,982,528</u>	<u>2,018,077</u>	<u>35,549</u>
<b>LICENSES AND PERMITS</b>				
Building and related permits	15,500	15,500	10,367	(5,133)
Beer and liquor licenses	83,100	83,100	110,522	27,422
Automobile registrations	226,000	226,000	235,219	9,219
CATV franchise fees	35,000	35,000	24,507	(10,493)
Total licenses and permits	<u>359,600</u>	<u>359,600</u>	<u>380,615</u>	<u>21,015</u>
<b>CHARGES FOR SERVICES</b>				
Recreation fees for services	214,100	214,100	189,277	(24,823)
Recreation rental income	60,500	60,500	64,794	4,294
Library fees	16,900	16,900	16,489	(411)
Lot mowing fees	-	-	4,946	4,946
Animal control fees	-	-	60	60
Total charge for services	<u>291,500</u>	<u>291,500</u>	<u>275,566</u>	<u>(15,934)</u>
<b>FINES, FORFEITURES, AND PENALTIES</b>				
	442,500	487,500	563,195	75,695

(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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>GRANTS</b>	\$ 77,000	\$ 82,300	\$ 90,295	\$ 7,995
<b>INTEREST ON INVESTMENTS</b>	3,000	3,000	15,265	12,265
<b>OTHER</b>	75,745	75,745	86,842	11,097
<b>PLANNED USE OF FUND BALANCE</b>	-	890,000	-	(890,000)
<b>Total Revenues</b>	11,977,115	13,417,615	12,920,536	(497,079)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Finance and Administration				
Personnel costs	616,203	611,203	532,127	79,076
Contractual services	326,255	323,423	269,321	54,102
Materials and supplies	57,300	60,646	52,891	7,755
Other charges	78,000	79,152	68,795	10,357
Grants	18,000	18,000	18,000	-
Capital outlay	5,000	36,796	36,787	9
	<u>1,100,758</u>	<u>1,129,220</u>	<u>977,921</u>	<u>151,299</u>
General Government				
Personnel costs	318,400	318,400	231,883	86,517
Contractual services	14,041	14,041	2,900	11,141
Other charges	193,000	193,000	180,130	12,870
	<u>525,441</u>	<u>525,441</u>	<u>414,913</u>	<u>110,528</u>
Courts				
Personnel costs	211,482	213,242	211,981	1,261
Contractual services	11,200	11,200	8,700	2,500
Materials and supplies	25,100	24,750	20,416	4,334
Other charges	13,700	12,290	6,622	5,668
	<u>261,482</u>	<u>261,482</u>	<u>247,719</u>	<u>13,763</u>
Codes and Economic Development				
Personnel costs	163,500	163,500	75,204	88,296
Contractual services	69,000	75,800	64,589	11,211
Materials and supplies	42,500	39,500	11,697	27,803
Other charges	33,000	29,200	6,074	23,126
Capital outlay	4,500	4,500	1,988	2,512
	<u>312,500</u>	<u>312,500</u>	<u>159,552</u>	<u>152,948</u>

**(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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Personnel				
Materials and supplies	\$ 5,019	\$ 4,407	\$ 3,975	\$ 432
Other charges	4,000	1,500	937	563
Capital outlay	1,000	150	150	-
	<u>10,019</u>	<u>6,057</u>	<u>5,062</u>	<u>995</u>
Total general government	2,210,200	2,234,700	1,805,167	429,533
<b>PUBLIC SAFETY</b>				
Police Department				
Personnel costs	2,479,025	2,468,091	2,348,336	119,755
Contractual services	-	9,950	9,900	50
Materials and supplies	274,350	262,910	252,743	10,167
Other charges	101,150	107,577	101,593	5,984
Capital outlay	22,000	21,313	21,313	-
	<u>2,876,525</u>	<u>2,869,841</u>	<u>2,733,885</u>	<u>135,956</u>
Fire Department				
Personnel costs	1,784,992	1,822,424	1,818,751	3,673
Contractual services	718,293	721,293	721,291	2
Materials and supplies	148,500	147,139	139,063	8,076
Other charges	69,600	66,841	65,408	1,433
Capital outlay	27,000	27,572	27,572	-
	<u>2,748,385</u>	<u>2,785,269</u>	<u>2,772,085</u>	<u>13,184</u>
Total public safety	5,624,910	5,655,110	5,505,970	149,140
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	703,844	703,844	541,210	162,634
Materials and supplies	81,400	95,300	78,665	16,635
Other charges	25,200	24,232	19,996	4,236
Capital outlay	58,000	45,068	41,277	3,791
	<u>868,444</u>	<u>868,444</u>	<u>681,148</u>	<u>187,296</u>
Total transportation and environment	868,444	868,444	681,148	187,296
<b>COMMUNITY SERVICES</b>				
Library				
Contractual services	324,324	324,324	324,324	-
Materials and supplies	10,200	10,200	5,862	4,338
Other charges	24,000	24,000	20,696	3,304
	<u>358,524</u>	<u>358,524</u>	<u>350,882</u>	<u>7,642</u>

(CONTINUED ON NEXT PAGE)

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**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Arts, Recreation, and Parks				
Personnel costs	\$ 516,941	\$ 515,218	\$ 466,209	\$ 49,009
Contractual services	52,000	43,190	28,388	14,802
Materials and supplies	140,750	140,782	114,631	26,151
Other charges	138,000	148,008	118,447	29,561
Grants	20,000	20,000	20,000	-
Capital outlay	15,000	431,293	427,550	3,743
	<u>882,691</u>	<u>1,298,491</u>	<u>1,175,225</u>	<u>123,266</u>
Total community services	1,241,215	1,657,015	1,526,107	130,908
<b>DEBT SERVICE</b>				
Principal	556,400	556,400	556,400	-
Interest and fiscal charges	356,613	356,613	311,400	45,213
Total debt service	<u>913,013</u>	<u>913,013</u>	<u>867,800</u>	<u>45,213</u>
<b>Total Expenditures</b>	<u>10,857,782</u>	<u>11,328,282</u>	<u>10,386,192</u>	<u>942,090</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,119,333	2,089,333	2,534,344	445,011
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	25,000	25,000	23,494	(1,506)
Transfers out	<u>(1,114,333)</u>	<u>(2,114,333)</u>	<u>(1,903,531)</u>	<u>210,802</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,089,333)</u>	<u>(2,089,333)</u>	<u>(1,880,037)</u>	<u>209,296</u>
Net change in fund balances	<u>\$ 30,000</u>	<u>\$ -</u>	654,307	<u>\$ 654,307</u>
Fund balances - beginning			<u>7,504,692</u>	
Fund balances - ending			<u>\$ 8,158,999</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>INTERGOVERNMENTAL</b>				
County taxes	\$ 9,883,248	\$ 9,920,000	\$ 10,163,064	\$ 243,064
State education funds	12,750,186	13,476,994	13,524,099	47,105
Other local taxes	28,000	33,000	44,348	11,348
Total intergovernmental	22,661,434	23,429,994	23,731,511	301,517
<b>GRANTS</b>	321,886	370,468	418,401	47,933
<b>OTHER</b>	226,960	249,063	265,578	16,515
<b>Total Revenues</b>	23,210,280	24,049,525	24,415,490	365,965
<b>EXPENDITURES</b>				
<b>EDUCATION</b>				
Instruction				
Regular instruction:				
Personnel costs	9,556,971	9,577,610	9,432,930	144,680
Contractual services	227,335	210,623	156,861	53,762
Materials and supplies	261,295	421,421	343,728	77,693
Other charges	62,400	81,300	45,521	35,779
Equipment	177,000	468,302	427,650	40,652
Total regular instruction:	10,285,001	10,759,256	10,406,690	352,566
Alternative school:				
Personnel costs	141,038	142,038	126,272	15,766
Contractual services	15,000	17,000	13,825	3,175
Materials and supplies	500	500	464	36
Total alternative school:	156,538	159,538	140,561	18,977
Special education program:				
Personnel costs	1,411,344	1,328,653	1,228,094	100,559
Contractual services	184,628	233,428	222,990	10,438
Materials and supplies	7,300	6,300	600	5,700
Total special education program:	1,603,272	1,568,381	1,451,684	116,697
Vocational education:				
Personnel costs	975,743	973,052	954,329	18,723
Contractual services	-	18,300	18,221	79
Materials and supplies	11,400	11,400	10,211	1,189
Equipment	-	79,108	78,168	940
Total vocational education:	987,143	1,081,860	1,060,929	19,991
Total instructional:	13,031,954	13,569,035	13,059,864	508,231

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support services				
Health services:				
Personnel costs	65,772	65,772	65,602	170
Contractual services	160,850	167,205	166,597	608
Other charges	9,000	10,518	6,670	3,848
Equipment	3,729	3,729	3,712	17
Total health services:	<u>239,351</u>	<u>247,224</u>	<u>242,581</u>	<u>4,643</u>
Other student support:				
Personnel costs	595,935	604,314	572,827	31,487
Contractual services	15,080	13,190	13,190	-
Materials and supplies	5,250	4,850	2,437	2,413
Other charges	12,285	14,785	3,976	10,809
Total other student support:	<u>628,550</u>	<u>637,139</u>	<u>592,430</u>	<u>44,709</u>
Regular instruction support:				
Personnel costs	697,862	635,372	614,579	20,793
Contractual services	7,845	13,820	11,954	1,866
Materials and supplies	237,172	240,622	135,340	105,282
Other charges	25,530	32,205	22,838	9,367
Total regular instruction support:	<u>968,409</u>	<u>922,019</u>	<u>784,711</u>	<u>137,308</u>
Alternative education support:				
Personnel costs	61,929	61,929	61,127	802
Contractual services	1,500	-	-	-
Materials and supplies	200	200	154	46
Other charges	500	2,000	1,748	252
Total alternative education support:	<u>64,129</u>	<u>64,129</u>	<u>63,029</u>	<u>1,100</u>
Special education support:				
Personnel costs	333,936	340,503	328,277	12,226
Contractual services	91,270	87,770	37,809	49,961
Materials and supplies	3,000	3,000	2,973	27
Other charges	10,300	13,800	9,779	4,021
Total special education support:	<u>438,506</u>	<u>445,073</u>	<u>378,838</u>	<u>66,235</u>
Vocational educational support:				
Contractual services	25,860	25,860	25,548	312
Total vocational educational support:	<u>25,860</u>	<u>25,860</u>	<u>25,548</u>	<u>312</u>
Technology:				
Personnel costs	300,251	305,771	324,418	(18,647)
Contractual services	4,800	2,400	2,400	-
Materials and supplies	341,000	393,555	388,539	5,016
Other charges	6,000	33,596	28,805	4,791
Total technology:	<u>652,051</u>	<u>735,322</u>	<u>744,162</u>	<u>(8,840)</u>

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Board of education:				
Personnel costs	85,335	147,100	45,306	101,794
Contractual services	101,000	99,975	90,726	9,249
Materials and supplies	600	600	285	315
Other charges	112,000	90,200	84,435	5,765
Total board of education:	<u>298,935</u>	<u>337,875</u>	<u>220,752</u>	<u>117,123</u>
Office of the director of schools:				
Personnel costs	301,997	318,887	318,143	744
Contractual services	13,600	11,000	10,827	173
Materials and supplies	4,500	4,500	4,439	61
Other charges	11,320	14,920	7,450	7,470
Total office of the director of schools:	<u>331,417</u>	<u>349,307</u>	<u>340,859</u>	<u>8,448</u>
Office of principal:				
Personnel costs	1,910,881	1,990,334	1,983,087	7,247
Contractual services	3,120	2,120	454	1,666
Materials and supplies	11,450	11,450	4,973	6,477
Other charges	13,385	16,120	12,173	3,947
Equipment	11,450	14,350	11,208	
Total office of principal:	<u>1,950,286</u>	<u>2,034,374</u>	<u>2,011,895</u>	<u>19,337</u>
Fiscal services:				
Personnel costs	345,374	366,553	348,962	17,591
Contractual services	24,538	30,038	28,906	1,132
Materials and supplies	2,200	3,200	2,779	421
Other charges	2,150	6,150	5,614	536
Total fiscal services:	<u>374,262</u>	<u>405,941</u>	<u>386,261</u>	<u>19,680</u>
Human services:				
Personnel costs	205,790	206,790	198,480	8,310
Contractual services	21,800	19,300	10,356	8,944
Materials and supplies	6,000	6,000	4,975	1,025
Other charges	3,140	5,640	4,104	1,536
Equipment	2,000	1,000	-	1,000
Total human services:	<u>238,730</u>	<u>238,730</u>	<u>217,915</u>	<u>20,815</u>
Plant operations:				
Personnel costs	413,376	421,947	403,510	18,437
Contractual services	532,324	484,316	477,412	6,904
Materials and supplies	3,550	3,550	2,216	1,334
Other charges	846,800	883,316	759,903	123,413
Equipment	2,000	2,000	387	1,613
Total plant operations:	<u>1,798,050</u>	<u>1,795,129</u>	<u>1,643,428</u>	<u>151,701</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Plant maintenance:				
Personnel costs	105,910	105,910	90,594	15,316
Contractual services	55,360	55,360	41,678	13,682
Materials and supplies	165,150	205,854	179,455	26,399
Other charges	4,300	3,500	151	3,349
Equipment	2,400	2,400	550	1,850
Total plant maintenance:	<u>333,120</u>	<u>373,024</u>	<u>312,428</u>	<u>60,596</u>
Pupil transportation:				
Contractual services	1,105,300	1,028,800	1,009,202	19,598
Materials and supplies	110,300	116,300	115,417	883
Other charges	150	650	-	650
Total pupil transportation:	<u>1,215,750</u>	<u>1,145,750</u>	<u>1,124,619</u>	<u>21,131</u>
Central and other:				
Contractual services	82,260	111,260	106,264	4,996
Materials and supplies	1,000	1,000	151	849
Other charges	1,000	500	-	500
Equipment	15,000	15,000	13,152	1,848
Total central and other:	<u>99,260</u>	<u>127,760</u>	<u>119,567</u>	<u>8,193</u>
Total support services:	9,656,666	9,884,656	9,209,023	672,491
Non-instructional				
Early childhood education:				
Personnel costs	395,208	385,824	376,354	9,470
Contractual services	106,760	113,803	107,061	6,742
Materials and supplies	11,973	16,838	16,797	41
Other charges	1,500	4,034	1,808	2,226
Total early childhood education:	<u>515,441</u>	<u>520,499</u>	<u>502,020</u>	<u>18,479</u>
Total non-instructional:	515,441	520,499	502,020	18,479
<b>DEBT SERVICE</b>				
Principal	230,219	230,219	230,219	-
Interest	<u>326,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>556,219</u>	<u>230,219</u>	<u>230,219</u>	<u>-</u>
<b>Total Expenditures</b>	<u>23,760,280</u>	<u>24,204,409</u>	<u>23,001,126</u>	<u>1,199,201</u>

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(550,000)	(154,884)	1,414,364	1,569,248
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	550,000	630,000	587,717	(42,283)
Transfers out	-	(3,000,000)	(3,000,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>550,000</u>	<u>(2,370,000)</u>	<u>(2,412,283)</u>	<u>(42,283)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (2,524,884)</u>	(997,919)	<u>\$ 1,526,965</u>
Fund balances - beginning			<u>4,991,399</u>	
Fund balances - ending			<u>\$ 3,993,480</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2018

	<b>Business-type Activities:</b>		<b>Total Proprietary Funds</b>
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,331,827	\$ 7,273,293	\$ 9,605,120
Receivables			
Customers	339,665	239,292	578,957
Other	4,264	-	4,264
Less allowance for doubtful accounts	(152,605)	(106,163)	(258,768)
Due from other governments	-	126,675	126,675
Due from other funds	21,903	5,321	27,224
Prepaid expenses	24,716	27,966	52,682
Total current assets	<u>2,569,770</u>	<u>7,566,384</u>	<u>10,136,154</u>
Noncurrent assets:			
Capital assets, not being depreciated	2,407	1,083,965	1,086,372
Capital assets, being depreciated, net	5,493,294	8,571,148	14,064,442
Total capital assets, net	<u>5,495,701</u>	<u>9,655,113</u>	<u>15,150,814</u>
Net pension asset	33,951	49,270	83,221
Total noncurrent assets	<u>5,529,652</u>	<u>9,704,383</u>	<u>15,234,035</u>
Total assets	<u>8,099,422</u>	<u>17,270,767</u>	<u>25,370,189</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	50,002	58,754	108,756
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	48,756	79,719	128,475
Due to other funds	3,335	984	4,319
Customer deposits	2,630	195	2,825
Current portion of bonds and notes payable	-	128,880	128,880
Total current liabilities	<u>54,721</u>	<u>227,409</u>	<u>282,130</u>
Noncurrent liabilities:			
Bonds and notes payable, net of current portion, discounts, and premiums	-	2,302,198	2,302,198
Accrued compensated absences	38,627	35,134	73,761
Net OPEB obligation	222,850	331,380	554,230
Total noncurrent liabilities	<u>261,477</u>	<u>2,668,712</u>	<u>2,930,189</u>
Total liabilities	<u>316,198</u>	<u>2,896,121</u>	<u>3,212,319</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	<u>56,401</u>	<u>68,974</u>	<u>125,375</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,495,701	7,224,035	12,719,736
Restricted - net pension asset	33,951	49,270	83,221
Unrestricted	2,247,173	7,091,121	9,338,294
Total net position	<u>\$ 7,776,825</u>	<u>\$ 14,364,426</u>	<u>\$ 22,141,251</u>

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, 2018

	<b>Business-type Activities:</b>		<b>Total Proprietary Funds</b>
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	
Operating Revenues:			
Metered water sales	\$ 1,283,435	\$ -	\$ 1,283,435
Sewer service fee	-	2,150,967	2,150,967
Service connections fees	46,988	15,133	62,121
Forfeited discounts	30,281	24,216	54,497
Federal, state, and other grants	-	94,786	
Other	1,829	-	1,829
Total operating revenues	<u>1,362,533</u>	<u>2,285,102</u>	<u>3,647,635</u>
Operating Expenses:			
Salaries	276,389	401,803	678,192
Benefits	80,358	123,699	204,057
Materials and supplies	143,058	79,039	222,097
Pumping and filtering	136,873	156,753	293,626
Professional services	36,222	83,044	119,266
Other services and charges	75,162	76,210	151,372
Depreciation	286,302	545,010	831,312
Total operating expenses	<u>1,034,364</u>	<u>1,465,558</u>	<u>2,499,922</u>
Operating income	328,169	819,544	1,147,713
Nonoperating Revenues (Expenses):			
Interest	1,156	9,538	10,694
Bond interest and fiscal charges	-	(37,260)	(37,260)
Gain (loss) on sale of capital assets	-	1,643	1,643
Total nonoperating revenues (expenses)	<u>1,156</u>	<u>(26,079)</u>	<u>(24,923)</u>
Change in net position	329,325	793,465	1,122,790
Total net position - beginning, as originally reported	7,173,543	13,253,554	20,427,097
Effect of change in accounting principle	273,957	317,407	591,364
Total net position - beginning, as restated	<u>7,447,500</u>	<u>13,570,961</u>	<u>21,018,461</u>
Total net position - ending	<u>\$ 7,776,825</u>	<u>\$ 14,364,426</u>	<u>\$ 22,141,251</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, 2018

	<b>Business-type Activities:</b>		<b>Total Proprietary Funds</b>
	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,344,838	\$ 2,138,634	\$ 3,483,472
Payments to suppliers	(391,569)	(359,963)	(751,532)
Payments to employees	(371,012)	(525,134)	(896,146)
Net cash provided by operating activities	<u>582,257</u>	<u>1,348,323</u>	<u>1,930,580</u>
<b>CASH FLOW FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>			
Payment (to) from other fund	(3,823)	60,387	56,564
<b>CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(39,932)	(481,867)	(521,799)
Proceeds from sale of capital assets	-	1,643	1,643
Principal paid on capital debt	-	(127,068)	(127,068)
Interest paid on capital debt	-	(37,260)	(37,260)
Net cash from (used for) capital and related financing activities	<u>(39,932)</u>	<u>(644,552)</u>	<u>(684,484)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	<u>1,156</u>	<u>9,538</u>	<u>10,694</u>
Net increase in cash and cash equivalents	539,658	773,696	1,313,354
Cash and cash equivalents - beginning of the year	<u>1,792,169</u>	<u>6,499,597</u>	<u>8,291,766</u>
Cash and cash equivalents - end of the year	<u>\$ 2,331,827</u>	<u>\$ 7,273,293</u>	<u>\$ 9,605,120</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>			
Operating income	\$ 328,169	\$ 819,544	\$ 1,147,713
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	286,302	545,010	831,312
Pension expense in excess of employer contributions	(13,146)	(2,442)	(15,588)
Change in assets and liabilities			
Receivables	(18,453)	(69,313)	(87,766)
Prepaid expenses	1,015	(84)	931
Accounts payable	(1,269)	35,167	33,898
Accrued compensated absences	(1,119)	2,810	1,691
Customer deposits	758	-	758
Unearned revenue	-	17,631	17,631
Net cash provided by operating activities	<u>\$ 582,257</u>	<u>\$ 1,348,323</u>	<u>\$ 1,930,580</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2018

	<b>School OPEB Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,036	\$ 338,721
Inventory	-	3,841
Investments, at fair value:		
Fixed income	101,157	-
Domestic equities	117,133	-
International equities	58,299	-
Total investments	<u>276,589</u>	<u>-</u>
Total assets	279,625	<u><u>\$ 342,562</u></u>
<b>LIABILITIES</b>		
Due to student general fund	-	\$ 182,928
Due to student groups	<u>-</u>	<u>159,634</u>
Total liabilities	<u>-</u>	<u><u>\$ 342,562</u></u>
<b>NET POSITION</b>		
Restricted for OPEB	<u>279,625</u>	
Total net position	<u><u>\$ 279,625</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, 2018

	<b>School OPEB Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 62,072
Investment earnings (losses):	
Net appreciation in fair value of investments	12,719
Interest and dividends	10,098
Total investment earnings	<u>22,817</u>
Total additions	84,889
<b>DEDUCTIONS</b>	
Benefits	62,072
Administrative expense	3,305
Total deductions	<u>65,377</u>
Change in net position	19,512
Net position - beginning of the year	<u>260,113</u>
Net position - end of the year	<u><u>\$ 279,625</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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**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 2016. 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.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as codified by the Governmental Accounting Standards Board ("GASB"). The financial statements present the government and its component units, entities for which the government is considered to be financially accountable. However, currently there are no component units. The financial statements of the City include the financial statements of the Millington Municipal Schools Board of Education (the "Schools"). The City has determined that 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 a capital projects 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.

*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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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, the Capital Improvements Fund, and the School Capital Projects 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.

School Capital Projects Fund – Accounts for the Millington Municipal School's capital improvement projects.

### 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, 2018, 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:

- 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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.

#### *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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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.

#### *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 1<sup>st</sup>. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on October 1<sup>st</sup> and are considered delinquent after February 28<sup>th</sup>, 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 31<sup>st</sup>). 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 30<sup>th</sup>. Delinquent taxes estimated to be collected subsequent to August 31<sup>st</sup> 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, 2018. 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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*

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.

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.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 related changes 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.

### 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 several types of items that qualify for reporting in this category. 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. Deferred inflows of resources include those related to unavailable revenue from property taxes and those related to pension and OPEB changes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 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 capital expenditures for the library.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### *11. Pensions and Other Postemployment Benefits*

The City maintains four defined benefit retirement plans sponsored by the Tennessee Consolidated Retirement System and two defined benefit other postemployment benefit plans (“OPEB”) sponsored by the City.

For purposes of measuring the net pension and net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB 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*

Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their fair value. The three categories of level inputs are as follows: 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.

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 implemented 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 implementation has been accounted for as a change in accounting principle with a prior year adjustment as determined by an actuary. The effect of this adjustment decreases net position for governmental activities by \$977,971 and increases net position of business-type activities by \$591,364.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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.

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, 2018, no fund's expenditures exceeded appropriations and as of fiscal year end none of the funds had a deficit fund balance.

### NOTE 3 – 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, 2018, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 – 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.

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.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The School's fiduciary fund investments are held by a third party trust in the name of the School.

#### A. Primary Government Investments

The School may invest in certain risk-free, interest-bearing instruments. General purpose school fund investments of \$2,000,000 consist of certificates of deposit (at cost) as of June 30, 2018. Investments with a maturity date within three months of the date acquired, if any, are considered to be cash equivalents. Other than short-term investments of certificates of deposits which are considered as cash equivalents, the primary government held no investments.

#### B. Fiduciary Investments

The School administers one fiduciary fund whose investments are held by a third party trustee. Additionally, the School utilizes an advisor to select appropriate investment choices.

Fair value has been determined based on the City's assessment of available market information and appropriate valuation methodologies. Prices for investment securities such as mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1. There have been no changes in the methodologies used at June 30, 2018:

The following table summarized fair value disclosures and measurements for fiduciary investments at June 30, 2018:

<u>Investments at Fair Value</u>	<u>Level 1</u>
Fiduciary Activities:	
Equity mutual funds	\$ 101,157
Domestic equities	117,133
International equities	58,299
	<u>\$ 276,589</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 5 – INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2018, is as follows:

	<u>Due From:</u>	<u>Due To:</u>
Major Funds		
General Fund		
Water Fund	\$ 770	\$ -
Sewer Fund	984	-
Capital Improvements Fund	-	15,278
State Street Aid Fund	3,383	-
Sanitation Fund	4,138	-
DEA Drug Fund	290	-
Drug Fund	-	55
	<u>9,565</u>	<u>15,333</u>
Capital Improvements Fund		
General Fund	15,278	-
Water Fund		
General Fund	-	770
State Street Aid Fund	21,903	-
Sewer Fund	-	1,142
Sanitation Fund	-	1,124
Storm Water Fund	-	299
	<u>21,903</u>	<u>3,335</u>
Sewer Fund		
General Fund	1,142	-
Water Fund	4,179	-
Sanitation Fund	-	984
	<u>5,321</u>	<u>984</u>
Total major funds	<u>52,067</u>	<u>19,652</u>
Nonmajor Funds		
State Street Aid Fund		
General Fund	\$ -	\$ 3,383
Water Fund	-	21,903
	<u>-</u>	<u>25,286</u>
Stormwater Fund		
Water Fund	299	-
Sanitation Fund	3,856	-
	<u>4,155</u>	<u>-</u>
DEA Drug Fund		
General Fund	55	-
Drug Fund	-	75
	<u>55</u>	<u>75</u>
DEA Drug Fund		
Drug Fund	75	290
Sanitation Fund		
Water Fund	1,124	-
General Fund	-	4,138
Sewer Fund	-	4,179
Stormwater Fund	-	3,856
	<u>1,124</u>	<u>12,173</u>
	<u>5,409</u>	<u>37,824</u>
	<u>\$ 57,476</u>	<u>\$ 57,476</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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The composition of interfund transfers for the year ended June 30, 2018 is as follows:

	<u>Transfers In:</u>	<u>Transfers Out:</u>
Major Funds		
General Fund		
State Street Aid Fund	\$ -	\$ 103,531
Capital Projects Fund	-	1,300,000
Board of Education		500,000
	<u>-</u>	<u>1,903,531</u>
Capital Projects Fund		
General Fund	1,300,000	-
	<u>1,300,000</u>	<u>-</u>
General Purpose School Fund		
General Fund	500,000	-
School Capital Projects Fund	-	3,000,000
School Federal Projects Fund	87,717	-
	<u>587,717</u>	<u>3,000,000</u>
School Capital Projects Fund		
General Purpose School Fund	3,000,000	-
Total major funds	<u>4,887,717</u>	<u>4,903,531</u>
Nonmajor Funds		
School Federal Projects Fund		
General Purpose School Fund	-	87,717
State Street Aid Fund		
General Fund	103,531	-
	<u>103,531</u>	<u>87,717</u>
	<u>\$ 4,991,248</u>	<u>\$ 4,991,248</u>

There were no transfers in or out of proprietary funds during the fiscal year ended June 30, 2018. Transfers out of the major funds and nonmajor governmental funds generally represent debt service, cost allocation, and capital improvement project funding.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,295,817	\$ 25,563	\$ (42,000)	\$ 6,279,380
Construction in progress	2,152,934	2,050,242	(1,365,152)	2,838,024
Total capital assets, not being depreciated	8,448,751	2,075,805	(1,407,152)	9,117,404
Capital assets, being depreciated:				
Buildings and improvements	57,276,647	478,328	(382,110)	57,372,865
Furnishings and equipment	1,937,741	250,067	(29,770)	2,158,038
Vehicles	4,089,868	293,041	(70,963)	4,311,946
Infrastructure	35,670,751	107,287	-	35,778,038
Total capital assets, being depreciated	98,975,007	1,128,723	(482,843)	99,620,887
Less accumulated depreciation for:				
Buildings and improvements	(7,966,850)	(1,304,595)	106,528	(9,164,917)
Furnishings and equipment	(1,139,258)	(114,936)	5,789	(1,248,405)
Vehicles	(2,981,472)	(288,207)	69,963	(3,199,716)
Infrastructure	(1,948,357)	(839,309)	-	(2,787,666)
Total accumulated depreciation	(14,035,937)	(2,547,047)	182,280	(16,400,704)
Total capital assets, being depreciated, net	84,939,070	(1,418,324)	(300,563)	83,220,183
Governmental activities capital assets, net	<u>\$ 93,387,821</u>	<u>\$ 657,481</u>	<u>\$ (1,707,715)</u>	<u>\$ 92,337,587</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	29,187	330,236	-	359,423
Total capital assets, not being depreciated	756,136	330,236	-	1,086,372
Capital assets, being depreciated:				
Buildings and improvements	28,559,117	191,563	-	28,750,680
Furnishings and equipment	3,898,046	-	-	3,898,046
Vehicles	761,689	-	-	761,689
Total capital assets, being depreciated	33,218,852	191,563	-	33,410,415
Less accumulated depreciation for:				
Buildings and improvements	(14,353,941)	(742,741)	-	(15,096,682)
Furnishings and equipment	(3,619,563)	(44,067)	-	(3,663,630)
Vehicles	(541,157)	(44,504)	-	(585,661)
Total accumulated depreciation	(18,514,661)	(831,312)	-	(19,345,973)
Total capital assets, being depreciated, net	14,704,191	(639,749)	-	14,064,442
Business-type activities capital assets, net	<u>\$ 15,460,327</u>	<u>\$ (309,513)</u>	<u>\$ -</u>	<u>\$ 15,150,814</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Governmental Activities:	
General government	\$ 88,890
Public safety	248,200
Transportation and environment	1,020,794
Community services	52,488
Education	1,136,675
Total depreciation expense - governmental activities	<u>\$ 2,547,047</u>
Business-type Activities:	
Water	\$ 286,302
Sewer	545,010
Total depreciation expense - business-type activities	<u>\$ 831,312</u>

### NOTE 7 – 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, 2018, the City had outstanding 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, 2018 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	\$ 340,000
Local government loan program				
Series 2011 note payable	3.29	2036	5,000,000	4,143,000
Series 2013 note payable	2.73	2033	1,150,000	918,000
Series 2015 note payable	3.02	2035	6,000,000	4,111,009
			<u>12,150,000</u>	<u>9,172,009</u>
			<u>\$ 13,150,000</u>	<u>\$ 9,512,009</u>
Business-type activities:				
State revolving loan fund	1.41	2035	\$ 2,827,400	\$ 2,431,078

The Series 2015 note payable has \$1,497,091 available for draw as of June 30, 2018.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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
2019	\$ 574,000	\$ 292,705	\$ 128,880	\$ 33,444
2020	592,000	275,970	130,704	31,620
2021	610,500	256,529	132,564	29,760
2022	630,000	236,216	134,436	27,888
2023	648,000	216,592	136,344	25,980
2024-2028	3,377,300	765,705	711,324	100,296
2029-2033	2,240,209	315,074	763,248	48,372
2033-2038	840,000	55,864	293,578	4,089
	<u>\$ 9,512,009</u>	<u>\$ 2,414,655</u>	<u>\$ 2,431,078</u>	<u>\$ 301,449</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 for a total of \$2,762,628. 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
2019	\$ 230,219
2020	230,219
2021	230,219
2022	230,219
2023	230,219
2024-2026	690,657
Total payments	\$ 1,841,752
Less amount representing interest	(201,277)
	<u>\$ 1,640,475</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2018 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	\$ 10,068,409	\$ -	\$ (556,400)	\$ 9,512,009	\$ 574,000
Settlement obligation	2,071,971	-	(230,219)	1,841,752	230,219
Less deferred amounts representing interest	(249,571)	-	48,294	(201,277)	-
Total long-term debt	11,890,809	-	(738,325)	11,152,484	804,219
Compensated absences	370,857	53,952	(46,740)	378,069	46,740
Net pension liability*	1,777,192	-	(1,777,192)	-	-
Net OPEB liability*	8,083,349	211,820	(1,342,250)	6,952,919	-
	<u>\$ 22,122,207</u>	<u>\$ 265,772</u>	<u>\$ (3,904,507)</u>	<u>\$ 18,483,472</u>	<u>\$ 850,959</u>
Business-type activities:					
Note payable - construction	\$ 2,558,146	\$ -	\$ (127,068)	\$ 2,431,078	\$ 128,880
Compensated absences	72,070	9,319	(7,628)	73,761	-
Net OPEB liability*	1,119,107	-	(564,877)	554,230	-
	<u>\$ 3,749,323</u>	<u>\$ 9,319</u>	<u>\$ (699,573)</u>	<u>\$ 3,059,069</u>	<u>\$ 128,880</u>

\*net increase (decrease) shown

For governmental activities, net pension liability, net OPEB liability, and compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2018; interest incurred and charged to expense totaled \$281,183. For the governmental activities and business-type activities, there were no debt proceeds that were not spent as of June 30, 2018.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 – FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	General Purpose School Fund	Capital Improvements Fund	School Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:						
Inventory	\$ 33,184	\$ -	\$ -	\$ -	\$ 2,340	\$ 35,524
Prepaid expenditures	236,147	1,542	-	-	23,250	260,939
Total nonspendable fund balance	269,331	1,542	-	-	25,590	296,463
Restricted for:						
Streets	-	-	-	-	93,314	93,314
Sanitation	-	-	-	-	520,760	520,760
Drug enforcement	-	-	-	-	96,861	96,861
DEA task force	-	-	-	-	93,032	93,032
Drainage control	-	-	-	-	192,146	192,146
Education	-	5,428	-	-	450,835	456,263
Total restricted fund balance	-	5,428	-	-	1,446,948	1,452,376
Committed for:						
Financial stabilization	3,725,403	-	-	-	-	3,725,403
Emergency	1,000,000	-	-	-	-	1,000,000
Library construction	438,240	-	-	-	-	438,240
Total committed fund balance	5,163,643	-	-	-	-	5,163,643
Assigned to:						
Capital improvements	-	-	4,112,087	-	-	4,112,087
Education	-	3,957,113	-	4,180,084	5,308	8,142,505
Total assigned fund balance	-	3,957,113	4,112,087	4,180,084	5,308	12,254,592
Unassigned						
	2,726,025	-	-	-	-	2,726,025
Total fund balances	<u>\$ 8,158,999</u>	<u>\$ 3,964,083</u>	<u>\$ 4,112,087</u>	<u>\$ 4,180,084</u>	<u>\$ 1,477,846</u>	<u>\$ 21,893,099</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 – 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 Plan”)** – Employees of the City of Millington are included in this plan. This is an agent multiple-employer pension plan.
- II. **MMS Board of Education Political Subdivision Pension Plan (“School BOE”)** – Administrative employees of the Millington Municipal Schools Board of Education are included in this plan. This is an agent multiple-employer pension plan.
- III. **MMS Teacher Legacy Pension Plan (“School 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.
- IV. **MMS Teacher Retirement Plan (“School 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.

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](http://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
<b>Governmental Activities</b>				
City Plan	\$ 636,904	\$ 1,067,388	\$ -	\$ 1,128,441
School BOE Plan	11,355	285,782	-	20,722
School Teacher Legacy Plan	93,621	3,616,879	-	1,932,814
School Teacher Retirement Plan	79,541	105,656	-	10,262
<b>Total governmental activities</b>	<u>\$ 821,421</u>	<u>\$ 5,075,705</u>	<u>\$ -</u>	<u>\$ 3,092,239</u>
<b>Business-type Activities</b>				
City Plan	<u>\$ 83,221</u>	<u>\$ 108,756</u>	<u>\$ -</u>	<u>\$ 125,375</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### A. General Information about the Pension Plan

#### Benefits Provided

Under the City Plan, BOE Plan, and Teacher Legacy Plan, 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. Under the Teacher Retirement Plan, members are eligible to retire with an unreduced benefit 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. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. All plan 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. Under the Teacher Legacy Plan and Teacher Retirement 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.

#### Employees Covered by Benefit Terms

At the measurement date of **June 30, 2017**, the following employees were covered by the benefit terms of the agent plans:

	<u>City Plan</u>	<u>School BOE</u>
Inactive employees or beneficiaries currently receiving benefits	95	1
Inactive employees entitled to but not yet receiving benefits	174	11
Active employees	138	89
	<u>407</u>	<u>101</u>

#### Contributions

Contributions are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the Teacher Retirement Plan, by automatic cost controls set by law. Employees contribute 5 percent of salary. The Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the Board of Education's state shared taxes if required employer contributions are not remitted. The employer rate 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. Per statutory provisions governing TCRS, the employer contribution rate for the Teacher Hybrid Plan cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached.

Employer contributions to each plan for the year ended June 30, 2018 were as follows:

	<u>City Plan</u>	<u>School BOE</u>	<u>School TLPP</u>	<u>School TRP</u>
Employer contributions	\$ 520,745	\$ 245,368	\$ 936,967	\$ 86,846
As a percentage of covered payroll	8.95%	8.93%	9.08%	4.00%

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### B. Assumptions

The total pension liability as of **June 30, 2017** actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.25%
Mortality rates	Actual experience including an adjustment for anticipated movement

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

#### Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%. Under the City Plan, BOE Plan, and Teacher Legacy Plan, mortality assumptions were modified.

#### 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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% based on a blending of the three factors described above.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 Board of Education 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### C. Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2017. The total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of the respective dates. The components of the net pension liability (asset) as of those dates are as follows:

	Agent Plans		Cost-Sharing Plans	
	City Plan	School BOE	School TLPP	School TRP
Total Pension Liability				
Service cost	\$ 442,221	\$ 288,750		
Interest	1,720,301	66,546		
Changes of benefit items	-	-		
Differences between expected and actual experience	(494,980)	(1,225)		
Changes in assumptions	705,882	21,214		
Benefit payments, including refunds	(930,383)	(3,992)		
Net change in total pension liability	1,443,041	371,293		
Total pension liability - beginning	22,960,318	600,526		
Total pension liability - ending	\$ 24,403,359	\$ 971,819		
Plan Fiduciary Net Position				
Contributions - employer	\$ 524,639	\$ 230,248		
Contributions - employee	-	110,269		
Net investment income	2,578,365	83,446		
Benefit payments	(930,383)	(3,992)		
Administrative expense	(11,543)	(7,519)		
Other changes	-	-		
Net change in plan fiduciary net position	2,161,078	412,452		
Plan fiduciary net position - beginning	22,962,406	570,722		
Plan fiduciary net position - ending	\$ 25,123,484	\$ 983,174		
Net pension liability (asset)	\$ (720,125)	\$ (11,355)		
Proportionate share of net pension liability (asset)			\$ (93,621)	\$ (79,541)
Proportionate share at June 30, 2017 measurement date			0.286140%	0.301476%
Proportionate share at June 30, 2016 measurement date			0.279607%	0.356813%

The School's proportion of the net pension liability (asset) was based on School's share of contributions to each cost-sharing plan relative to the contributions of all participating LEAs. Detailed information about each cost-sharing pension plan's fiduciary net position is available in a separately issued TCRS financial reports.

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Current Rate	1% Decrease	Current Rate	1% Increase
Net pension liability (asset)				
City Public Employee Pension Plan	7.25%	\$ 2,561,881	\$ (720,125)	\$ (3,440,644)
School BOE Plan	7.25%	168,140	(11,355)	(155,427)
Proportionate share of the net pension liability (asset)				
School Teacher Legacy Plan (TLPP)	7.25%	\$ 8,400,389	\$ (93,621)	\$ (7,114,479)
School Teacher Retirement Plan (TRP)	7.25%	15,869	(79,541)	(149,524)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

For the year ended June 30, 2018, the City reported pension expense and deferred outflows of resources and deferred inflows of resources related to each plan from the following sources:

	City Plan	School BOE	School TLPP	School TRP
Pension Expense (Negative Pension Expense)	\$ 156,832	\$ 200,344	\$ 593,362	\$ 36,776
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 89,183	\$ 21,557	\$ 56,441	\$ 2,788
Net difference between projected and actual earnings on plan investments	1,510	-	14,211	-
Changes in assumptions	564,706	18,857	792,908	6,988
Change in proportion of net pension liability (asset)	-	-	1,816,352	9,034
Contributions subsequent to the measurement date of June 30, 2017	520,745	245,368	936,967	86,846
	<u>\$ 1,176,144</u>	<u>\$ 285,782</u>	<u>\$ 3,616,879</u>	<u>\$ 105,656</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 1,253,816	\$ 12,516	\$ 1,932,814	\$ 5,982
Net difference between projected and actual earnings on plan investments	-	8,206	-	4,280
	<u>\$ 1,253,816</u>	<u>\$ 20,722</u>	<u>\$ 1,932,814</u>	<u>\$ 10,262</u>

The amounts shown above for "Contributions subsequent to the measurement date of **June 30, 2017**," 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 for the years ending June 30:

	City Plan	School BOE	School TLPP	School TRP
2019	\$ (310,701)	\$ 2,940	\$ (77,620)	\$ 318
2020	43,430	2,940	880,131	318
2021	(198,964)	1,758	351,008	73
2022	(132,182)	(2,265)	(406,421)	(1,028)
2023	-	3,396	-	990
Thereafter	-	10,923	-	7,877

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

### E. Payable to the Pension Plans

At June 30, 2018, the City report payables to the City Plan, School BOE Plan, School Teacher Legacy Plan, and School Teacher Retirement Plan of \$38,408, \$418, \$74,823, and \$7,634, respectively, for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

## NOTE 10 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

### School 401(k) Plan

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement 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 Teacher Retirement Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2018, the School employer contributions to the Teacher Retirement Plan were \$106,486 of which \$8,301 was payable at year end.

### **City 457 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.

### **NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

The City and School each administer a single-employer defined benefit other postemployment ("OPEB") plan to provide health care benefits to certain employees and elected officials under the provisions of the Retirement System of the City of Millington i.e. City of Millington, Tennessee Other Postemployment Benefit Plan and Millington Municipal Schools Other Postemployment Benefit Plan.

- I. **City of Millington Other Postemployment Benefit Plan ("City OPEB Plan")** – Employees of the City of Millington who retire from the City under the provisions of TCRS are included in this plan.
- II. **Millington Municipal Schools Other Postemployment Benefit Plan ("School OPEB Plan")** – 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.

The School OPEB plan is considered part of the City's financial reporting entity and is included in the City's financial report as an OPEB trust fund. The City does not issue a stand-alone financial report for the School OPEB plan. Benefits provided including coverage, eligibility, and contribution requirements of the City OPEB plan and School OPEB plan are established and may be amended only by the Board of Mayor and Aldermen and Board of Education, respectively, at any time, for any reason.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### A. General Information about the OPEB Plans

#### Benefits Provided

The City OPEB plan provides certain healthcare and life insurance coverage at nominal cost to retirees. The City pays 65% of the premium for health care benefits for retirees and their dependents.

The School OPEB plan 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.

#### Employees Covered by Benefit Terms

At June 30, 2017, participants consisted of the following:

	City OPEB Plan	School OPEB Plan
Inactive employees or beneficiaries currently receiving benefits	22	1
Active employees	85	184
	107	185

#### Contributions

For the year ended June 30, 2018, the City contributed an amount equal to the benefits paid. The City has no trusted assets related to the City OPEB plan.

The School establishes contributions based on an actuarially determined rate and available funds for the year. For the year ended June 30, 2018, the School contributed an amount equal to the benefits paid. No additional amounts were paid to the trust in fiscal year 2018.

Employer contributions to each plan for the year ended June 30, 2018 were as follows:

	City OPEB Plan	School OPEB Plan
Employer contributions	\$ -	\$ 62,072
As a percentage of covered payroll	0.00%	0.53%

### B. Assumptions

Actuarial valuations for the City and School OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. As such, the actuarial calculations of the OPEB plans 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.

#### City Administered OPEB Plan

The OPEB liability for the current year was determined by an actuarial valuation as of June 30, 2018, using the following assumptions and the entry age normal level percent of pay actuarial cost method:

Inflation rate	3.0%
Investment rate of return	n/a
Discount rate	3.88% including inflation
Healthcare cost trend rates	Level 5.50%
Mortality table	RP-2014 Total Table with Projection MP-2017

#### Discount Rate

For unfunded OPEB plans, the discount rate must be calculated using a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index. The discount rate used to measure the total OPEB liability was 3.88%.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### School Administered OPEB Plan

The OPEB liability for the current year was determined by an actuarial valuation as of June 30, 2018, using the following assumptions and the entry age normal level percent of pay actuarial cost method:

Inflation rate	3.0%
Investment rate of return	7.5%
Discount rate	3.87% including inflation
Healthcare cost trend rates	8% decreasing to an ultimate 5%, 6 year grading
Mortality table	RHP-2017 Total Dataset Mortality Table fully generational using scale MP-2017

### Changes of Assumptions

In 2018, the following School OPEB assumptions included an increase to the discount rate from 2.81% to 3.87%, an increase to the expected rate of return on plan assets from 4.25% to 7.5%, and the use of updated mortality tables. Effective September 1, 2018, the School will begin participation in the Tennessee State Group Insurance Program. As part of the participation in this program, the State contributes an explicit premium subsidy to retired certified employees. Since this portion of the premium cost is no longer the Schools' responsibility, this change has resulted in a decrease in the Schools' liability. This change has been expressed as a change of benefit terms for fiscal year 2018.

### School Investment Policy

Millington Municipal Schools has placed funds with the Tennessee School Board Association OPEB Trust ("TSBA OPEB Trust") to be used to pre-fund a portion of the OPEB liability. The assets of the TSBA OPEB Trust are commingled with other participant's funds for investment purposes, but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. The TSBA OPEB Trust's policy in regard to 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. The TSBA OPEB Trust obtains an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207; however, the audit for the year ended June 30, 2018 was not available from other auditors as of the date of this report.

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. The 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 long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage.

The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	42%	9.36%
Developed market international equity	18%	7.78%
Emerging market international equity	5%	11.4%
Fixed income	35%	4.69%
	100%	7.55%

### Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.22%. 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 is a weighted rate based on the long term rate of return of 7.5 percent and a range of rates for 20-year tax-exempt general obligation AA municipal bonds. The discount rate used to measure the total OPEB liability was 3.87 percent.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### C. Net OPEB Liability

The components of each net OPEB liability at June 30, 2018, were as follows:

	City OPEB Plan	School OPEB Plan
Total OPEB Liability		
Service cost	\$ 145,696	\$ 249,605
Interest	185,472	123,180
Changes of benefit items	-	(1,147,418)
Differences between expected and actual experience	-	(154,038)
Changes in assumptions	-	(306,633)
Benefit payments, including refunds	(92,861)	(62,072)
Net change in total OPEB liability	238,307	(1,297,376)
Total OPEB liability - beginning	4,680,951	4,164,892
Total OPEB liability - ending	\$ 4,919,258	\$ 2,867,516
 Plan Fiduciary Net Position		
Contributions - employer	\$ -	\$ 62,072
Contributions - employee	-	-
Net investment income	-	22,817
Benefit payments	-	(62,072)
Administrative expense	-	(3,305)
Net change in plan fiduciary net position	-	19,512
Plan fiduciary net position - beginning	-	260,113
Plan fiduciary net position -ending	\$ -	\$ 279,625
Net OPEB liability (asset)	\$ 4,919,258	\$ 2,587,891

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

The following presents each plan's net OPEB liability calculated using the current discount rate, as well as what the 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:

	Current Rate	1% Decrease	Current Rate	1% Increase
City Net OPEB liability (asset)	3.88%	\$ 5,784,307	\$ 4,919,258	\$ 4,233,245
School Net OPEB liability (asset)	3.87%	2,944,999	2,587,891	2,283,213

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

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

	Current Rate	1% Decrease	Current Rate	1% Increase
City Net OPEB liability (asset)	5.50%	\$ 4,534,710	\$ 4,919,258	\$ 5,784,307
School Net OPEB liability (asset)	8% to 5%	\$ 2,376,535	\$ 2,587,891	\$ 2,833,482

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**D. OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City reported OPEB expense, deferred outflows of resources, and deferred inflows of resources related to each OPEB plan from the following sources:

	<u>City OPEB Plan</u>	<u>School OPEB Plan</u>
OPEB (negative) expense	<u>\$ 331,168</u>	<u>\$ 846,246</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ -	\$ 136,923
Net difference between projected and actual earnings on plan investments	-	297,925
Changes in assumptions	-	2,744
	<u>\$ -</u>	<u>\$ 437,592</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

	<u>City OPEB Plan</u>	<u>School OPEB Plan</u>
2019	\$ -	\$ (55,531)
2020	-	(55,531)
2021	-	(55,531)
2022	-	(55,531)
2023	-	(54,845)
Thereafter	-	(160,623)

**NOTE 12 - 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 \$126,987 for the year ended June 30, 2018.

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 \$3.58 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 13 - RISK MANAGEMENT

### Insurance

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 14 – SUBSEQUENT EVENT

Subsequent to June 30, 2018, the City issued a twenty-year capital outlay note in the amount of \$2,000,000 through the Tennessee Municipal Bond Fund. The notes bears a fixed interest rate of 4.16% with final maturity of November 1, 2038. The purpose of the loan is to fund a portion of the current capital improvement program of the Millington Municipal Schools. The program includes building construction and renovations, parking improvements, and equipment purchases.



**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\*

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 442,221	\$ 523,831	\$ 500,187	\$ 514,637
Interest	1,720,301	1,724,244	1,646,311	1,544,121
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(494,980)	(1,279,849)	(179,845)	267,551
Changes of assumptions	705,882	-	-	-
Benefit payments	(930,383)	(947,999)	(954,367)	(944,283)
Net change in total pension liability	1,443,041	20,227	1,012,286	1,382,026
Total pension liability - beginning	22,960,318	22,940,091	21,927,805	20,545,779
Total pension liability - ending	24,403,359	22,960,318	22,940,091	21,927,805
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	524,639	469,835	530,147	511,544
Net investment income	2,578,365	599,629	689,233	3,238,712
Benefit payments	(930,383)	(947,999)	(954,367)	(944,283)
Administrative expense	(11,543)	(10,396)	(8,324)	(7,143)
Other	-	1,777	-	-
Net change in plan fiduciary net position	2,161,078	112,846	256,689	2,798,830
Plan fiduciary net position - beginning	22,962,406	22,849,560	22,592,871	19,794,041
Plan fiduciary net position - ending	\$ 25,123,484	\$ 22,962,406	\$ 22,849,560	\$ 22,592,871
<b>Net pension liability (asset)</b>	<b>\$ (720,125)</b>	<b>\$ (2,088)</b>	<b>\$ 90,531</b>	<b>\$ (665,066)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	102.95%	100.01%	99.61%	103.03%
<b>Covered payroll</b>	\$ 5,640,909	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-12.77%	-0.04%	1.39%	-10.48%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 519,745	\$ 503,733	\$ 469,835	\$ 530,147	\$ 511,544
Contributions	520,745	503,733	469,835	530,147	511,544
Contribution deficiency (surplus)	\$ (1,000)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,820,211	\$ 5,642,345	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
Contributions as a percentage of covered payroll	8.95%	8.93%	8.14%	8.14%	8.06%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry Age Normal
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\*

	2018	2017	2016	2015
Proportion of the net pension (asset) liability	0.286140%	0.279607%	0.244172%	0.000664%
Proportionate share of the net pension (asset) liability	\$ (93,621)	\$ 1,747,388	\$ 100,021	\$ (108)
Covered payroll	\$ 10,023,023	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-0.93%	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension (asset) liability	100.14%	97.14%	99.80%	100.08%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 936,967	\$ 914,386	\$ 912,429	\$ 826,309	\$ 2,314
Contribution in relation to the contractually required contribution	<u>936,967</u>	<u>914,386</u>	<u>912,429</u>	<u>826,309</u>	<u>2,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,319,046	\$ 10,023,423	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered payroll	9.08%	9.12%	9.04%	9.04%	8.88%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**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\*

	2018	2017	2016
Proportion of the net pension asset	0.301476%	0.356813%	0.479760%
Proportionate share of the net pension asset	\$ (79,541)	\$ (37,145)	\$ (19,301)
Covered payroll	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Proportionate share of the net pension asset as a percentage of its covered payroll	-3.92%	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	126.81%	121.88%	127.46%

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

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 86,846	\$ 79,148	\$ 62,800	\$ 24,920
Contribution in relation to the contractually required contribution	<u>86,846</u>	<u>79,148</u>	<u>62,800</u>	<u>39,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,952)</u>
Covered payroll	\$ 2,171,160	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Contributions as a percentage of covered payroll	4.00%	3.90%	4.00%	4.00%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**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\*

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 288,750	\$ 261,184	\$ 272,709
Interest	66,546	40,083	20,415
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,225)	27,715	(17,138)
Changes of assumptions	21,214		
Benefit payments	(3,992)	(3,437)	(1,005)
Net change in total pension liability	371,293	325,545	274,981
Total pension liability - beginning	600,526	274,981	-
Total pension liability - ending	971,819	600,526	274,981
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	230,248	196,318	182,233
Contributions - employee	110,269	101,788	90,476
Net investment income	83,446	11,056	4,119
Benefit payments	(3,992)	(3,437)	(1,005)
Administrative expense	(7,519)	(6,604)	(4,222)
Net change in plan fiduciary net position	412,452	299,121	271,601
Plan fiduciary net position - beginning	570,722	271,601	-
Plan fiduciary net position -ending	983,174	570,722	271,601
<b>Net pension liability (asset)</b>	<u>\$ (11,355)</u>	<u>\$ 29,804</u>	<u>\$ 3,380</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	101.17%	95.04%	98.77%
<b>Covered payroll</b>	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
<b>School's net pension liability as a percentage of covered payroll</b>	-0.44%	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\*

	2018	2017	2016	2015
Actuarially determined contribution	\$ 245,368	\$ 204,941	\$ 196,318	\$ 182,233
Contributions	245,368	230,248	196,318	182,233
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (25,307)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,747,680	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
Contributions as a percentage of covered payroll	8.93%	8.92%	8.14%	8.14%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 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
Cost of Living Adjustments	2.5%

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS**  
**CITY OPEB**  
Last Ten Fiscal Years June 30\*

	2018
<b>Total OPEB liability:</b>	
Service cost	\$ 145,696
Interest	185,472
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes of assumptions	-
Benefit payments	(92,861)
Net change in total OPEB liability (asset)	238,307
Total OPEB liability-beginning	4,680,951
Total OPEB liability-ending	4,919,258
 <b>Plan fiduciary net position:</b>	
Contributions-employer	-
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending	-
 <b>Net OPEB liability-ending</b>	<b>\$ 4,919,258</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 0.00%
 <b>Covered payroll</b>	 \$ 5,066,363
 <b>Net OPEB liability as a percentage of covered payroll</b>	 97.10%

\* 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 OPEB LIABILITY (ASSET) AND RELATED RATIOS**  
**MMS OPEB**  
Last Ten Fiscal Years June 30\*

	2018	2017
<b>Total OPEB liability:</b>		
Service cost	\$ 249,605	\$ 265,891
Interest	123,180	113,972
Changes in benefit terms	(1,147,418)	-
Differences between actual and expected experience	(154,038)	-
Changes of assumptions	(306,633)	-
Benefit payments	(62,072)	(10,042)
Net change in total OPEB liability (asset)	(1,297,376)	369,821
Total OPEB liability-beginning	4,164,892	3,795,071
Total OPEB liability-ending	2,867,516	4,164,892
<b>Plan fiduciary net position:</b>		
Contributions-employer	62,072	209,913
Net investment income	22,817	10,242
Benefit payments	(62,072)	(10,042)
Administrative expense	(3,305)	-
Net change in plan fiduciary net position	19,512	210,113
Plan fiduciary net position-beginning	260,113	50,000
Plan fiduciary net position-ending	279,625	260,113
<b>Net OPEB liability-ending</b>	<b>\$ 2,587,891</b>	<b>\$ 3,904,779</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	9.75%	6.25%
<b>Covered payroll</b>	\$ 9,530,500	\$ 9,530,500
<b>Net OPEB liability as a percentage of covered payroll</b>	27.15%	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>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 598,948	\$ 374,078
Contributions in relation to the actuarially determined contribution	<u>62,072</u>	<u>209,913</u>
Contribution deficiency (excess)	<u>\$ 536,876</u>	<u>\$ 164,165</u>
Covered payroll	\$ 11,815,389	\$ 9,530,500
Contributions as a percentage of covered payroll	0.53%	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 2018 were calculated based on the July 1, 2017 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	9 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8% decreasing .5% per year to an ultimate 5% for 2022 and therefore after
Salary increases	3.0%
Investment rate of return	7.50%
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2017 Mortality Fully Generational using Projection Scale MP-2017

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

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	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.22%	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.

**SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CITY OF MILLINGTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	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	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 76,310	\$ 460,324	\$ 101,643	\$ 93,247	\$ 155,495	\$ -	\$ 450,832	\$ 1,337,851
Receivables								
Fines and fees	-	239,807	-	-	61,769	-	-	301,576
Less allowance for doubtful accounts	-	(121,272)	-	-	(35,671)	-	-	(156,943)
Due from other governments	69,278	21,276	-	-	7,721	338,530	6,450	443,255
Due from other funds	-	1,124	55	75	4,155	-	-	5,409
Inventory	-	-	-	-	-	-	2,340	2,340
Prepaid Items	-	21,233	-	-	2,017	-	-	23,250
<b>Total assets</b>	<b>\$ 145,588</b>	<b>\$ 622,492</b>	<b>\$ 101,698</b>	<b>\$ 93,322</b>	<b>\$ 195,486</b>	<b>\$ 338,530</b>	<b>\$ 459,622</b>	<b>\$ 1,956,738</b>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 26,988	\$ 68,326	\$ 4,762	\$ -	\$ 1,323	\$ 74,024	\$ -	\$ 175,423
Due to other funds	25,286	12,173	75	290	-	264,506	-	302,330
<b>Total liabilities</b>	<b>52,274</b>	<b>80,499</b>	<b>4,837</b>	<b>290</b>	<b>1,323</b>	<b>338,530</b>	<b>-</b>	<b>477,753</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue								
Other	-	-	-	-	-	-	1,139	1,139
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,139</b>	<b>1,139</b>
<b>FUND BALANCES</b>								
Nonspendable	-	21,233	-	-	2,017	-	2,340	25,590
Restricted	93,314	520,760	96,861	93,032	192,146	-	450,835	1,446,948
Assigned	-	-	-	-	-	-	5,308	5,308
<b>Total fund balances</b>	<b>93,314</b>	<b>541,993</b>	<b>96,861</b>	<b>93,032</b>	<b>194,163</b>	<b>-</b>	<b>458,483</b>	<b>1,477,846</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 145,588</b>	<b>\$ 622,492</b>	<b>\$ 101,698</b>	<b>\$ 93,322</b>	<b>\$ 195,486</b>	<b>\$ 338,530</b>	<b>\$ 459,622</b>	<b>\$ 1,956,738</b>



**CITY OF MILLINGTON, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	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
<b>REVENUES</b>								
Intergovernmental gas tax	\$ 395,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,699
Charges for services	-	793,299	-	-	389,433	-	85,364	1,268,096
Fines, forfeitures, and penalties	-	-	3,275	47,295	-	-	-	50,570
Federal, state and other grants	-	-	-	-	-	2,115,192	1,578,308	3,693,500
Interest on investments	32	304	296	35	92	-	-	759
Other	250	-	-	-	-	-	1,923	2,173
Total revenues	395,981	793,603	3,571	47,330	389,525	2,115,192	1,665,595	5,410,797
<b>EXPENDITURES</b>								
Current								
Public safety	-	-	11,845	14,682	-	-	-	26,527
Transportation and environment	470,955	948,749	-	-	339,197	-	-	1,758,901
Education	-	-	-	-	-	2,027,475	1,559,300	3,586,775
Total expenditures	470,955	948,749	11,845	14,682	339,197	2,027,475	1,559,300	5,372,203
Excess (deficiency) of revenues over (under) expenditures	(74,974)	(155,146)	(8,274)	32,648	50,328	87,717	106,295	38,594
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of capital assets	-	-	2,120	-	-	-	-	2,120
Transfers in	103,531	-	-	-	-	-	-	103,531
Transfers out	-	-	-	-	-	(87,717)	-	(87,717)
Total other financing sources and uses	103,531	-	2,120	-	-	(87,717)	-	17,934
Net change in fund balances	28,557	(155,146)	(6,154)	32,648	50,328	-	106,295	56,528
Fund balances - beginning	64,757	697,139	103,015	60,384	143,835	-	352,188	1,421,318
Fund balances - ending	\$ 93,314	\$ 541,993	\$ 96,861	\$ 93,032	\$ 194,163	\$ -	\$ 458,483	\$ 1,477,846

**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental - state gas tax				
Gas motor fuel	\$ 214,745	\$ 214,745	\$ 213,568	\$ (1,177)
Gas 1989	34,456	34,456	34,008	(448)
Gas 3 cent	63,951	63,951	125,725	61,774
Petroleum special	22,485	22,485	22,398	(87)
Interest on investments	30	30	32	2
Other	-	-	250	250
Total revenues	<u>335,667</u>	<u>335,667</u>	<u>395,981</u>	<u>60,314</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	1,000	921	-	921
Materials and supplies	607,000	610,315	441,772	168,543
Other charges	2,000	2,812	1,810	1,002
Capital outlay	40,000	35,952	27,373	8,579
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>470,955</u>	<u>179,045</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(314,333)	(314,333)	(74,974)	239,359
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>314,333</u>	<u>314,333</u>	<u>103,531</u>	<u>(210,802)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>28,557</u>	<u>\$ 28,557</u>
Fund balances - beginning			<u>64,757</u>	
Fund balances - ending			<u>\$ 93,314</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for Services				
Sanitation fees	\$ 759,000	\$ 759,000	\$ 793,299	\$ 34,299
Interest on investments	100	100	304	204
Planned use of fund balance	225,882	225,882	-	(225,882)
<b>Total revenues</b>	<u>984,982</u>	<u>984,982</u>	<u>793,603</u>	<u>(191,379)</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	598,773	598,773	580,602	18,171
Contractual services	21,860	21,860	18,201	3,659
Materials and supplies	99,200	95,882	85,578	10,304
Other charges	16,149	16,099	12,775	3,324
Capital outlay	249,000	252,368	251,593	775
<b>Total expenditures</b>	<u>984,982</u>	<u>984,982</u>	<u>948,749</u>	<u>36,233</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(155,146)</u>	<u>(155,146)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(155,146)</u>	<u>\$ (155,146)</u>
Fund balances - beginning			<u>697,139</u>	
Fund balances - ending			<u>\$ 541,993</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 3,275	\$ 3,275
Interest on investments	-	-	296	296
Planned use of fund balance	27,870	27,870	-	(27,870)
<b>Total revenues</b>	<u>27,870</u>	<u>27,870</u>	<u>3,571</u>	<u>(24,299)</u>
<b>EXPENDITURES:</b>				
Public Safety				
Contractual services	1,720	1,720	1,720	-
Materials and supplies	8,000	8,000	3,190	4,810
Other charges	10,650	10,650	4,139	6,511
Capital outlay	7,500	7,500	2,796	4,704
<b>Total expenditures</b>	<u>27,870</u>	<u>27,870</u>	<u>11,845</u>	<u>16,025</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	(8,274)	(8,274)
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	-	2,120	2,120
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(6,154)</u>	<u>\$ (6,154)</u>
Fund balances - beginning			<u>103,015</u>	
Fund balances - ending			<u>\$ 96,861</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines, forfeitures, and penalties	\$ 30,000	\$ 30,000	\$ 47,295	\$ 17,295
Interest on investments	10	10	35	25
Planned use of fund balance	1,710	1,710	-	(1,710)
<b>Total revenues</b>	<u>31,720</u>	<u>31,720</u>	<u>47,330</u>	<u>15,610</u>
<b>EXPENDITURES:</b>				
Public Safety				
Contractual services	1,720	1,720	1,720	-
Materials and supplies	16,000	16,090	5,081	11,009
Other charges	5,000	5,000	560	4,440
Capital outlay	9,000	8,910	7,321	1,589
<b>Total expenditures</b>	<u>31,720</u>	<u>31,720</u>	<u>14,682</u>	<u>17,038</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>32,648</u>	<u>32,648</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>32,648</u>	<u>\$ 32,648</u>
Fund balances - beginning			<u>60,384</u>	
Fund balances - ending			<u>\$ 93,032</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for Services				
Storm water control fees	\$ 385,000	\$ 385,000	\$ 389,433	\$ 4,433
Interest on investments	50	50	92	42
Total revenues	<u>385,050</u>	<u>385,050</u>	<u>389,525</u>	<u>4,475</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	225,550	225,550	225,550	-
Contractual services	46,860	44,648	26,131	18,517
Materials and supplies	63,590	67,590	52,513	15,077
Other charges	44,050	47,262	35,003	12,259
Capital outlay	5,000	-	-	-
Total expenditures	<u>385,050</u>	<u>385,050</u>	<u>339,197</u>	<u>45,853</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	50,328	<u>\$ 50,328</u>
Fund balances - beginning			<u>143,835</u>	
Fund balances - ending			<u>\$ 194,163</u>	

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL FEDERAL PROJECTS FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal, state and other grants	\$ 2,153,311	\$ 2,392,340	\$ 2,115,192	\$ (277,148)
<b>EXPENDITURES</b>				
<b>EDUCATION</b>				
Instruction				
Title I:				
Personnel costs	481,298	485,777	457,116	28,661
Contractual services	79,601	78,443	53,094	25,349
Materials and supplies	47,865	44,383	32,298	12,085
Other charges	9,307	-	-	-
Total Title I:	<u>618,071</u>	<u>608,603</u>	<u>542,508</u>	<u>66,095</u>
Title III:				
Contractual services	-	6,636	5,250	1,386
Materials and supplies	-	1,157	1,156	1
Total Title III:	<u>-</u>	<u>7,793</u>	<u>6,406</u>	<u>1,387</u>
Title IV:				
Materials and supplies	-	12,250	10,947	1,303
Total Title IV:	<u>-</u>	<u>12,250</u>	<u>10,947</u>	<u>1,303</u>
IDEA special education:				
Personnel costs	575,426	565,226	531,232	33,994
Contractual services	26,202	37,509	35,158	2,351
Materials and supplies	-	2,000	1,188	812
Total special education:	<u>601,628</u>	<u>604,735</u>	<u>567,578</u>	<u>37,157</u>
Read to be ready - summer program				
Personnel costs	-	35,131	34,724	407
Contractual services	-	2,808	2,808	-
Materials and supplies	-	13,035	12,883	152
Other charges	-	768	684	84
Total read to be ready - summer:	<u>-</u>	<u>51,742</u>	<u>51,099</u>	<u>643</u>
Total instructional:	1,219,699	1,285,123	1,178,538	106,585
Support services				
Title I:				
Personnel costs	414,063	414,063	385,377	28,686
Materials and supplies	17,471	17,522	14,367	3,155
Other charges	14,363	23,528	8,442	15,086
Total Title I:	<u>445,897</u>	<u>455,113</u>	<u>408,186</u>	<u>46,927</u>
Title II:				
Personnel costs	65,369	75,875	36,023	39,852
Contractual services	1,755	2,340	-	2,340
Other charges	20,609	30,379	5,978	24,401
Total Title II:	<u>87,733</u>	<u>108,594</u>	<u>42,001</u>	<u>66,593</u>

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Title II:				
Other charges	-	3,000	3,000	-
Total Title III:	-	3,000	3,000	-
Title IV:				
Other charges	-	18,816	11,033	7,783
Total Title IV:	-	18,816	11,033	7,783
IDEA special education:				
Personnel costs	-	19,377	19,377	-
Contractual services	-	30,353	28,293	2,060
Materials and supplies	-	2,850	857	1,993
Other charges	-	2,000	-	2,000
Total IDEA special education:	-	54,580	48,527	6,053
Consolidated administration:				
Personnel costs	18,626	18,626	16,806	1,820
Materials and supplies	600	800	713	87
Total consolidated administration:	19,226	19,426	17,519	1,907
Ready to be ready - summer:				
Personnel costs	-	6,724	6,725	(1)
Contractual services	-	5,463	5,367	96
Other charges	-	2,071	1,765	306
Total read to be ready - summer:	-	14,258	13,857	401
IDEA discretionary:				
Personnel costs	12,078	12,077	7,035	5,042
Contractual services	13,400	13,400	8,435	4,965
Total IDEA discretionary:	25,478	25,477	15,470	10,007
IDEA discretionary supplement:				
Materials and supplies	-	2,448	2,448	-
Other charges	-	6,000	5,558	442
Total IDEA discretionary supplement:	-	8,448	8,006	442
 Total support services:	 578,334	 707,712	 567,599	 140,113
 Non-instructional				
IDEA pre-k:				
Contractual services	4,273	5,825	5,314	511
Materials and supplies	1,500	2,396	1,044	1,352
Other charges	1,500	2,499	1,914	585
Total IDEA pre-k:	7,273	10,720	8,272	2,448
Pre-school development:				
Personnel costs	166,958	118,184	117,383	801
Contractual services	44,083	28,960	28,359	601
Materials and supplies	7,822	6,819	5,376	1,443
Other charges	5,500	3,700	668	3,032
Total pre-school development:	224,363	157,663	151,786	5,877
 Total non-instructional:	 231,636	 168,383	 160,058	 8,325

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlays	37,113	142,246	121,280	20,966
Total expenditures:	<u>2,066,782</u>	<u>2,303,464</u>	<u>2,027,475</u>	<u>275,989</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	86,529	88,876	87,717	(1,159)
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(86,529)</u>	<u>(88,876)</u>	<u>(87,717)</u>	<u>1,159</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services				
Cafeteria fees	\$ 83,500	\$ 83,500	\$ 85,364	\$ 1,864
Federal, state and other grants	1,497,637	1,584,187	1,578,308	(5,879)
Other income	100	100	1,923	1,823
Total revenues	<u>1,581,237</u>	<u>1,667,787</u>	<u>1,665,595</u>	<u>(2,192)</u>
<b>EXPENDITURES</b>				
<b>EDUCATION</b>				
Cafeteria				
Personnel costs	695,063	698,625	668,352	30,273
Contractual services	16,000	16,000	13,338	2,662
Materials and supplies	718,137	773,650	707,204	66,446
Other charges	136,037	136,037	136,044	(7)
Capital outlays	16,000	43,475	34,362	9,113
Total expenditures	<u>1,581,237</u>	<u>1,667,787</u>	<u>1,559,300</u>	<u>108,487</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	106,295	<u>\$ 106,295</u>
Fund balances - beginning			<u>352,188</u>	
Fund balances - ending			<u>\$ 458,483</u>	

**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grants	\$ 10,725,279	\$ 11,359,559	\$ 766,920	\$ (10,592,639)
Interest on investments	174	174	1,843	1,669
Other	11,028	11,028	1,839	
Planned use of fund balance	2,390,525	2,390,525	-	(2,390,525)
Total revenues	<u>13,127,006</u>	<u>13,761,286</u>	<u>770,602</u>	<u>(12,981,495)</u>
<b>EXPENDITURES</b>				
<b>CAPITAL OUTLAY</b>				
Construction contracts	16,140,097	17,937,256	1,840,277	16,096,979
Equipment	554,000	391,121	223,451	167,670
Total expenditures	<u>16,694,097</u>	<u>18,328,377</u>	<u>2,063,728</u>	<u>16,264,649</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(3,567,091)	(4,567,091)	(1,293,126)	3,273,965
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	8,267,091	3,267,091	-	(3,267,091)
Transfers in	300,000	1,300,000	1,300,000	-
Transfers out	(5,000,000)	-	-	-
<b>Total Other Financing Sources</b>	<u>3,567,091</u>	<u>4,567,091</u>	<u>1,300,000</u>	<u>(3,267,091)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	6,874	<u>\$ 6,874</u>
Fund balances - beginning			<u>4,105,213</u>	
Fund balances - ending			<u>\$ 4,112,087</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental				
County taxes	\$ -	\$ 1,175,000	\$ 407,608	\$ (767,392)
Planned use of fund balance	1,939,399	2,419,605	-	(2,419,605)
Total revenues	<u>1,939,399</u>	<u>3,594,605</u>	<u>407,608</u>	<u>(3,186,997)</u>
<b>EXPENDITURES</b>				
<b>CAPITAL OUTLAY</b>				
Architects	120,000	215,000	128,515	86,485
Engineering services	-	100,000	-	100,000
Building construction	6,700,000	6,159,295	1,154,056	5,005,239
Building improvements	50,000	1,847,411	302,480	1,544,931
Other capital outlay no location	69,399	69,399	62,078	7,321
Total expenditures	<u>6,939,399</u>	<u>8,391,105</u>	<u>1,647,129</u>	<u>6,743,976</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(5,000,000)	(4,796,500)	(1,239,521)	3,556,979
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	5,000,000	-	-	-
Transfers in	-	3,000,000	3,000,000	-
<b>Total Other Financing Sources</b>	<u>5,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,796,500)</u>	1,760,479	<u>\$ 3,556,979</u>
Fund balances - beginning			<u>2,419,605</u>	
Fund balances - ending			<u>\$ 4,180,084</u>	

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITY FUNDS**  
For the Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 304,161	\$ 553,352	\$ (518,792)	\$ 338,721
Inventory	5,828	-	(1,987)	3,841
	<u>\$ 309,989</u>	<u>\$ 553,352</u>	<u>\$ (520,779)</u>	<u>\$ 342,562</u>
<b>Liabilities</b>				
Due to student general fund	\$ 170,759	\$ 155,928	\$ (143,759)	\$ 182,928
Due to student groups	139,230	397,424	(377,020)	159,634
	<u>\$ 309,989</u>	<u>\$ 553,352</u>	<u>\$ (520,779)</u>	<u>\$ 342,562</u>

**SUPPORTING SCHEDULES (UNAUDITED)**

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS**  
**GOVERNMENTAL ACTIVITIES**  
 June 30, 2018

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
2019	\$ 109,000	\$ 10,792	\$ 210,000	\$ 136,305	\$ 50,000	\$ 24,551	\$ 205,000	\$ 121,057	\$ 186,791	\$ 43,428	\$ 760,791	\$ 336,133
2020	113,000	6,596	218,000	129,396	52,000	25,172	209,000	114,806	191,737	38,482	783,737	314,452
2021	118,000	2,230	225,000	122,224	53,000	23,664	214,500	108,411	196,813	33,406	807,313	289,935
2022	-	-	184,000	114,821	55,000	22,127	391,000	99,268	202,023	28,196	832,023	264,412
2023	-	-	190,000	108,767	56,000	20,532	402,000	87,293	207,371	22,848	855,371	239,440
2024	-	-	196,000	102,516	58,000	18,908	440,000	74,579	212,861	17,358	906,861	213,361
2025	-	-	202,000	96,068	59,000	17,226	457,800	61,022	218,497	11,722	937,297	186,038
2026	-	-	209,000	89,422	61,000	15,515	469,500	47,020	224,382	5,837	963,882	157,794
2027	-	-	216,000	82,546	62,000	13,746	336,000	34,857	-	-	614,000	131,149
2028	-	-	223,000	75,440	64,000	11,948	324,000	24,891	-	-	611,000	112,279
2029	-	-	230,000	68,103	66,000	10,092	312,000	15,288	-	-	608,000	93,483
2030	-	-	238,000	60,536	68,000	8,178	300,000	6,046	-	-	606,000	74,760
2031	-	-	246,000	52,706	70,000	6,206	50,209	758	-	-	366,209	59,670
2032	-	-	254,000	44,612	71,000	4,176	-	-	-	-	325,000	48,788
2033	-	-	262,000	36,256	73,000	2,117	-	-	-	-	335,000	38,373
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
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 340,000</u>	<u>\$ 19,618</u>	<u>\$ 4,143,000</u>	<u>\$ 1,375,582</u>	<u>\$ 918,000</u>	<u>\$ 224,158</u>	<u>\$ 4,111,009</u>	<u>\$ 795,296</u>	<u>\$ 1,640,475</u>	<u>\$ 201,277</u>	<u>\$11,152,484</u>	<u>\$2,615,931</u>

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS**  
**BUSINESS-TYPE ACTIVITIES**  
 June 30, 2018

Fiscal Year	State Revolving Loan Fund	
	Principal	Interest
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	981
	<u>\$ 2,431,078</u>	<u>\$ 301,449</u>



**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
For the Year Ended June 30, 2018

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As of June 30, 2018, the City of Millington, Tennessee, served approximately 3,000 water, sewer, and sanitation customers and had the following rate structure in place:

<b>Water Rates:</b>		
	Gallons Used	Rate
First 2,000 gallons		\$ 11.85
Each additional 1,000 gallons		\$ 3.97

<b>Sewer Rates:</b>		
	Based on Gallons of Water Used	Rate
First 2,000 gallons		\$ 7.42
Each additional 1,000 gallons		\$ 3.58

<b>Sanitation Rates:</b>		
	Type	Monthly Charge
Residential		\$ 21.00

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FIDELITY BONDS AND PRINCIPAL OFFICIALS**  
For the Year Ended June 30, 2018

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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, 2018

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR**

Year of Levy	Balance June 30, 2017	Assessment	Adjustments/ Abatements	Collections	June 30, 2018
2018	\$ -	\$ 3,080,549	\$ 41,811	\$ -	\$ 3,122,360
2017	3,017,977	-	(5,806,119)	2,872,986	84,844
2016	125,599	-	(209,384)	103,895	20,110
2015	21,005	-	(12,878)	5,961	14,088
2014	14,149	-	(4,244)	1,376	11,281
2013	9,252	-	(3,465)	1,538	7,325
2012	4,126	-	(2,450)	1,060	2,736
2011	3,362	-	(1,005)	348	2,705
2010	2,118	-	(1,042)	419	1,495
2009	1,300	-	(1,006)	457	751
Prior Years	1,209	-	(551)	37	695
<b>Total</b>	<b>3,200,097</b>	<b>\$ 3,080,549</b>	<b>\$ (6,000,333)</b>	<b>\$ 2,988,077</b>	<b>3,268,390</b>
Allowance for uncollectible property taxes	(141,501)				(140,992)
<b>Net receivables</b>	<b>3,058,596</b>				<b>3,127,398</b>

**PROPERTY TAX RATES AND ASSESSMENTS -LAST 10 YEARS**

Year of Levy	Realty and Personalty	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2018	\$ 195,127,695	\$ 6,215,402	\$ 201,343,097	1.53	\$ 3,080,549
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

**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, 2018

AWWA Free Water Audit Software: Reporting Worksheet				WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved.
<input type="button" value="Click to access definition"/>		Water Audit Report for: <b>City of Millington</b>		
<input type="button" value="Click to add a comment"/>		Reporting Year: <b>2018</b> 7/2017 - 6/2018		
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				
----- Enter grading in column 'E' and 'J' ----->			Master Meter and Supply Error Adjustments	
<b>WATER SUPPLIED</b>			Pcnt:                      Value:	
Volume from own sources:	<input type="text" value="9"/>	<input type="text" value="348.482"/> MG/Yr	<input type="text" value="3"/>	<input type="text" value="-6.000"/> MG/Yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/> MG/Yr	<input type="text" value=""/>	<input type="text" value=""/>
Water exported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/> MG/Yr	<input type="text" value=""/>	<input type="text" value=""/>
<b>WATER SUPPLIED:</b>			<b>354.482</b> MG/Yr	
<b>AUTHORIZED CONSUMPTION</b>				
Billed metered:	<input type="text" value="7"/>	<input type="text" value="303.394"/> MG/Yr	Click here: <input type="button" value="?"/> for help using option buttons below Pcnt:                      Value: <input type="text" value="21.595"/> MG/Yr Use buttons to select percentage of water supplied OR value Pcnt:                      Value: <input type="text" value="0.25%"/> <input type="text" value="0.25%"/> MG/Yr <input type="text" value="5.00%"/> <input type="text" value="5.00%"/> MG/Yr <input type="text" value="0.25%"/> <input type="text" value="0.25%"/> MG/Yr	
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value=""/>		
Unbilled metered:	<input type="text" value="n/a"/>	<input type="text" value=""/>		
Unbilled unmetered:	<input type="text" value="9"/>	<input type="text" value="21.595"/> MG/Yr		
Unbilled Unmetered volume entered is greater than the recommended default value				
<b>AUTHORIZED CONSUMPTION:</b>			<b>324.989</b> MG/Yr	
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>			<b>29.493</b> MG/Yr	
<b>Apparent Losses</b>				
Unauthorized consumption:	<input type="text" value=""/>	<input type="text" value="0.886"/> MG/Yr		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	<input type="text" value="8"/>	<input type="text" value="15.968"/> MG/Yr		
Systematic data handling errors:	<input type="text" value=""/>	<input type="text" value="0.758"/> MG/Yr		
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed				
<b>Apparent Losses:</b>			<b>17.613</b> MG/Yr	
<b>Real Losses (Current Annual Real Losses or CARL)</b>				
Real Losses = Water Losses - Apparent Losses:			<input type="text" value="11.880"/> MG/Yr	
<b>WATER LOSSES:</b>			<b>29.493</b> MG/Yr	
<b>NON-REVENUE WATER</b>				
NON-REVENUE WATER:			<input type="text" value="51.088"/> MG/Yr	
= Water Losses + Unbilled Metered + Unbilled Unmetered				
<b>SYSTEM DATA</b>				
Length of mains:	<input type="text" value="5"/>	<input type="text" value="55.8"/> miles		
Number of active AND inactive service connections:	<input type="text" value="7"/>	<input type="text" value="4,318"/>		
Service connection density:	<input type="text" value=""/>	<input type="text" value="77"/> conn./mile main		
Are customer meters typically located at the curbside or property line?	<input type="text" value="Yes"/>	(length of service line beyond the property boundary, that is the responsibility of the utility)		
Average length of customer service line:	<input type="text" value=""/>	Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure:	<input type="text" value="2"/>	<input type="text" value="65.0"/> psi		
<b>COST DATA</b>				
Total annual cost of operating water system:	<input type="text" value="9"/>	<input type="text" value="\$1,124,348"/> \$/Year		
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="10"/>	<input type="text" value="\$3.97"/> \$/1000 gallons (US)		
Variable production cost (applied to Real Losses):	<input type="text" value="10"/>	<input type="text" value="\$499.29"/> \$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses	
<b>WATER AUDIT DATA VALIDITY SCORE:</b>				
*** YOUR SCORE IS: 82 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				
<b>PRIORITY AREAS FOR ATTENTION:</b>				
Based on the information provided, audit accuracy can be improved by addressing the following components:				
<input type="text" value="1: Billed metered"/>				
<input type="text" value="2: Volume from own sources"/>				
<input type="text" value="3: Unauthorized consumption"/>				

**(CONTINUED ON NEXT PAGE)**

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
 For the Year Ended June 30, 2018

AWWA Free Water Audit Software:		WAS v5.0
System Attributes and Performance Indicators		American Water Works Association Copyright © 2014, All Rights Reserved
Water Audit Report for: <input type="text" value="City of Millington"/>		
Reporting Year: <input type="text" value="2018"/> <input type="text" value="7/2017 - 6/2018"/>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***		
<b>System Attributes:</b>		
	Apparent Losses:	<input type="text" value="17.613"/> MG/Yr
+	Real Losses:	<input type="text" value="11.880"/> MG/Yr
=	<b>Water Losses:</b>	<input type="text" value="29.493"/> MG/Yr
<input type="checkbox"/>	Unavoidable Annual Real Losses (UARL):	<input type="text" value="22.53"/> MG/Yr
	Annual cost of Apparent Losses:	<input type="text" value="\$69,923"/>
	Annual cost of Real Losses:	<input type="text" value="\$5,932"/> Valued at <b>Variable Production Cost</b>
<small>Return to Reporting Worksheet to change this assumption</small>		
<b>Performance Indicators:</b>		
Financial:	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="14.4%"/>
	Non-revenue water as percent by cost of operating system:	<input type="text" value="7.7%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	<input type="text" value="11.18"/> gallons/connection/day
	Real Losses per service connection per day:	<input type="text" value="7.54"/> gallons/connection/day
	Real Losses per length of main per day*:	<input type="text" value="N/A"/>
	Real Losses per service connection per day per psi pressure:	<input type="text" value="0.12"/> gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		<input type="text" value="11.88"/> million gallons/year
<input type="checkbox"/>	Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="0.53"/>
<small>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</small>		

**GOVERNMENT AUDITING STANDARDS SECTION**

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><u>Federal Awards</u></b>		
U.S. Department of Housing and Urban Development / State of Tennessee Community Development Block Grant Disaster Recovery Grant	14.269	\$ 112,417
U.S. Department of Transportation / State of Tennessee Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	162,658
Federal Lands Access Program	20.224	<u>159,144</u>
Subtotal - Highway Planning and Construction Cluster		<u>321,802</u>
Delta Regional Authority / Direct Funding Delta Area Economic Development	90.201	<u>16,247</u>
Total Federal Awards		<u><u>\$ 450,466</u></u>

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

For the Year Ended June 30, 2018

**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, 2018. 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 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	\$ 5,376,724
Millington Municipal Schools federal awards	(3,825,374)
Millington Municipal School non-federal awards	(694,135)
Proprietary funds federal awards	94,786
Proprietary funds unearned federal awards	17,631
City of Millington non-federal awards	(266,615)
Change in City of Millington unavailable revenue	(252,551)
Total federal awards and state financial assistance	<u>\$ 450,466</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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2018. 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 does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those 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.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
December 21, 2018

**CITY OF MILLINGTON, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2018

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**A. FINDINGS – FINANCIAL STATEMENTS**

None reported.

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

None reported.