

**CITY OF MILLINGTON, TENNESSEE**  
**FINANCIAL STATEMENTS**

June 30, 2020



**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	12
Statement of Activities	13
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet	14
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– General Fund	18
– General Purpose School Fund	22
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
<b>Notes to Financial Statements</b>	32
 <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	60
– Schedule of Contributions	61
MMS Teacher Legacy Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	62
– Schedule of Contributions	63
MMS Teacher Retirement Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	64
– Schedule of Contributions	65
MMS Political Subdivision Pension Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	66
– Schedule of Contributions	67

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

---

	Page
City of Millington OPEB	
– Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	68
MMS OPEB	
– Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	69
– Schedule of Contributions	70
– Schedule of Investment Returns	71
<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	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	73
<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	74
– Sanitation Fund	75
– Drug Fund	76
– DEA Drug Fund	77
– Storm Water Fund	78
– School Federal Projects Fund	79
– School Cafeteria Fund	82
<u>Capital Projects Funds</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– Capital Improvements Fund	83
– School Capital Projects Fund	84
<b>Agency Fund Combining Financial Statements</b>	
Statement of Changes in Assets and Liabilities	85
<b>SUPPORTING SCHEDULES</b>	
Schedule of Transfers	86
Schedule of Interfund Receivables and Payables	87
Schedule of Long-term Debt, Principal, and Interest Requirements	
– Governmental Activities	88
– Business-type Activities	89
Schedule of Changes in Long-Term Debt by Individual Issue	90
Schedules of Property Taxes	91
<b>OTHER SCHEDULES (UNAUDITED)</b>	
Schedule of Utility Rate Structure and Number of Customers	92
Schedule of Fidelity Bonds of Principal Officials	93
Schedule of Unaccounted for Water	94

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

---

**GOVERNMENT AUDITING STANDARDS SECTION**

Schedule of Expenditures of Federal Awards and State Financial Assistance	96
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	97
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>	98
Independent Auditor's Report on Compliance with Each Major Program and on Internal Control over Compliance with Each Major Program Required by the Uniform Guidance	100
Schedule of Findings and Questioned Costs	102
Schedule of Prior Year Findings and Questioned Costs	103

## **INTRODUCTORY SECTION**

**CITY OF MILLINGTON, TENNESSEE**  
**ROSTER OF ELECTED AND APPOINTED OFFICIALS**  
June 30, 2020

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

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Terry Jones, Mayor  
Bethany Huffman, Vice Mayor  
Al Bell, Alderman  
Jon Crisp, Alderman

Larry Dagen, 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  
Police  
Public Safety

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

**MILLINGTON MUNICIPAL SCHOOLS BOARD OF EDUCATION**

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Larry Jackson (Chairperson)  
Christopher Denson  
Cody Childress  
Mark Coulter

Roger Christopher  
Barbara Halliburton  
Cecilia Haley

**MILLINGTON MUNICIPAL SCHOOLS OFFICIALS**

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Director of Schools  
Chief Financial Officer  
Supervisor of Special Education and Student Services  
Supervisor of Technology and Communications  
Supervisor of Human Resources  
Supervisor of School Nutrition  
Supervisor of CTE / Athletic Director  
Supervisor of Instruction, Curriculum, 6-12, Assessment & Accountability  
Supervisor of Instruction, Curriculum, PreK-5 & Federal Projects  
Supervisor of Operations and Transportation

James Griffin  
Kyle Wright\*  
Jill Church  
Matthew Bowser  
Stacy Ross  
Vicki Chen  
Hank Hawkins  
Jeana Decker  
Virginia Rodgers  
Phil Leblanc

\* 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, the fiduciary funds, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2020, 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, each major fund, and the fiduciary funds of the School. The School funds are presented as special revenue funds in the financial statements of the City and represent 49.9 percent, 54.5 percent, and 62.6 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, the fiduciary funds, and the aggregate remaining fund information of the City of Millington, Tennessee, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Millington's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supporting schedules, and other 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, supporting 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, supporting 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 section and other schedules 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 23, 2020 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.

A handwritten signature in black ink that reads "Watkins Ullman, PLLC". The signature is fluid and cursive, with "Watkins" and "Ullman" connected by a single stroke, and "PLLC" in a smaller, separate area.

Memphis, Tennessee  
December 23, 2020

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2020

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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, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements including the notes to the financial statements.

Accounting principles generally accepted in the United States of America for governmental entities are established by the Governmental Accounting Standards Board (GASB). This annual financial report uses the standards established by the GASB for State and Local Governments. Millington follows all GASB standards, as well as other authoritative literature, known collectively within the accounting profession as "generally accepted accounting principles."

### **Financial Highlights**

- Total government-wide net position increased \$8.2 million as a result of activity for the fiscal year, with an increase of \$6.6 million from governmental activities and an increase of \$1.6 million from business-type activities. After the positive results for the year the City's net position on June 30, 2020 was \$136.6 million. Of this amount, \$27.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, fund balance of the General Fund was \$11.4 million. This included a commitment of \$3.9 million for financial stabilization, \$1 million for emergencies and \$.4 million for library construction. The unassigned fund balance of \$5.8 million represents 45% of total General Fund budgeted expenditures and transfers for FY21.
- The fund balance of the General Purpose School Fund increased by \$1.7 million to \$6.2 million as of June 30, 2020. This represents 25% of budgeted expenditures and transfers for FY21.
- During the fiscal year, no new debt was issued. The City retired \$849,696 of principal in general obligation 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.

**Differences between government-wide and fund financial statements.** The government-wide financial statements are much more aggregated and summarized than the fund financial statements. The government-wide Statement of Net Position includes capital assets and long-term debt, whereas the fund Balance Sheet includes neither. The government-wide Statement of Activities does not report the issuance or repayment of long-term debt during the year and reports depreciation expense but not amounts expended for capital assets during the year. The fund Statement of Revenues, Expenditures and Changes in Fund Balances includes as other financing sources the amount of long-term debt incurred during the year and as expenditures the amount of principal repaid. This statement also includes amounts expended for capital assets but not depreciation. These are some of the most common, significant differences but there are others. Following the fund Balance Sheet and the Fund Statement of Revenues, Expenditures and Changes in Fund Balances is a reconciliation of those statements to the government-wide Statement of Net Position and the Statement of Activities.

**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 two government-wide financial statements present highly summarized information for all of City government.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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The Statement of Net Position presents information on all the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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, 2020. All changes in net position are reported as soon as the underlying economic 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 of the 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 on debt. The business-type activities of the City include treatment and distribution of potable water and collection and treatment of wastewater (sewer).

**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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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.

**Budgetary Comparison.** Budgetary comparison for the General Fund and the General Purpose School Fund is included in the Governmental Fund Financial Statements to demonstrate compliance with their budget. Other budgetary comparison schedules not fitting the criteria defined for this section are presented under Combining and Individual Fund Financial Statements and Schedules.

**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. The Water Fund accounts for treatment and distribution of potable water and the Sewer Fund accounts for collection and treatment of wastewater.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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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.

**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 Fiduciary Funds statements report the Agency funds and the School OPEB Trust.

**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. "Notes" is the traditional term applied to this information; however, the term is misleading in that the Notes can vary in length from one paragraph to several pages.

**Required Supplementary Information.** This section contains other information that financial reporting standards specify should be included under this caption. Supplementary information is presented for the various plans of the Tennessee Consolidated Retirement System (TCRS) covering city and school system employees, the city's OPEB plan and the School's OPEB plan and Trust.

**Combining and Individual Fund Financial Statements and Schedules.** Combining fund statements for the non-major governmental funds is included in this section of the report. Supplemental schedules include budgetary comparisons, schedules of debt by debt issue, water and sewer rate structures, property tax trends, and a Schedule of Unaccounted for Water.

**Government-wide Financial Analysis (Reporting the City as a Whole)**

**Financial Position.** The Table below shows a condensed version of the Statement of Net Position (see the government-wide financial statements for the full version as of June 30, 2020). This statement shows the financial position of the City at specific points in time – in this case as of June 30, 2020 and as of June 30, 2019.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 36,164	\$ 31,957	\$ 13,692	\$ 12,310	\$ 49,856	\$ 44,267
Capital assets	100,993	98,610	15,659	15,405	116,652	114,015
Total assets	137,157	130,567	29,351	27,715	166,508	158,282
Deferred outflows of resources	3,764	4,466	450	110	4,214	4,576
Noncurrent liabilities	18,035	19,216	3,062	2,808	21,097	22,024
Other liabilities	4,563	4,524	388	223	4,951	4,747
Total liabilities	22,598	23,740	3,450	3,031	26,048	26,771
Deferred inflows of resources	7,937	6,424	132	163	8,069	6,587
Net position:						
Invested in capital assets,						
net of related debt	88,779	87,672	13,327	13,102	102,106	100,774
Restricted	6,820	4,566	186	186	7,006	4,752
Unrestricted	14,787	12,631	12,706	11,343	27,493	23,974
Total net position	\$ 110,386	\$ 104,869	\$ 26,219	\$ 24,631	\$ 136,605	\$ 129,500

"Net Position" is the difference between assets plus deferred outflows and liabilities plus deferred inflows and, in a general sense, may be considered the recorded financial "net worth" of the City. In the City's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$136 million at June 30, 2020.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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By far the largest portion of the City's net position (75%) 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$27 million) 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.

The City's total net position for governmental activities improved by \$5.5 million for the year. The significant reasons for these changes can be generally understood from information in the sections below about "Changes in Net Position" and the "Financial Analysis of the Government's Funds." Changes in net position are discussed below.

**Changes in Net Position – Revenues, Expenses and Transfers.** The Statement of Activities is the name of the financial statement at the government wide level that shows this information. While government-wide statements are designed to report governmental financial information in a manner similar to a private-sector business, the format of this statement does not exist in the private sector.

**Governmental Activities.** Governmental activities increased the City's net position by \$5.5 million. The most significant items causing this improvement were an increase in capital grants and contributions of \$1.6 million and improvements in local taxes of \$.3 million coupled with expenditures not increasing as rapidly as revenues.

**Business-type Activities.** Business-type activities increased the City's net position by \$1.5 million. The Water Fund increased by \$.6 million in net position. The Sewer Fund increased by \$1 million. Charges for services increased by \$.1 million and there were no new capital grants and contributions. The increase in charges for services is primarily the result of a rate increase designed to increase equity and cash for future construction needs of both water and sewer infrastructure.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

The Table below shows a condensed version of the Statement of Activities (see the government-wide financial statements for the full version as of June 30, 2020). This statement shows the results of operations for the City as a whole over a period of time, - in this case for the fiscal years ending June 30, 2020 and June 30, 2019.

<b>Condensed Statement of Activities</b> (dollars expressed in thousands)								
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>2020</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>		
<b>Revenues :</b>								
Program Revenues :								
Charges for services	\$ 2,415	\$ 2,567	\$ 4,314	\$ 4,186	\$ 6,729	\$ 6,753		
Operating grants and contributions	28,102	28,408	-	-	28,102	28,408		
Capital grants and contributions	5,127	3,531	-	937	5,127	4,468		
General Revenues :								
Local taxes	10,092	9,831	-	-	10,092	9,831		
Intergovernmental revenues	2,121	2,099	-	-	2,121	2,099		
Interest on Investments	41	115	27	69	68	184		
Gain on sale of assets	10	2	-	1	10	3		
Other revenue	447	418	-	1	447	419		
Total Revenues	48,355	46,971	4,341	5,194	52,696	52,165		
<b>Expenses :</b>								
General government	2,108	2,144	-	-	2,108	2,144		
Public safety	6,888	5,809	-	-	6,888	5,809		
Community services	3,782	3,609	-	-	3,782	3,609		
Transportation and environment	1,412	1,257	-	-	1,412	1,257		
Education	28,255	27,647	-	-	28,255	27,647		
Interest on long-term debt	393	383	-	-	393	383		
Water	-	-	1,171	1,176	1,171	1,176		
Sewer	-	-	1,582	1,528	1,582	1,528		
Total Expenses	42,838	40,849	2,753	2,704	45,591	43,553		
Increase/(Decrease) in Net Position	5,517	6,122	1,588	2,490	7,105	8,612		
Net Position - Beginning	104,869	98,747	24,631	22,141	129,500	120,888		
Net Position - Ending	<b>\$ 110,386</b>	<b>\$ 104,869</b>	<b>\$ 26,219</b>	<b>\$ 24,631</b>	<b>\$ 136,605</b>	<b>\$ 129,500</b>		

**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. Governmental accounting standards prescribe fund balance categories in a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The categories, in order of the constraints, are nonspendable, restricted, committed, assigned and unassigned. More details on these classifications are presented in the Notes to Financial Statements under "Fund Balance by Purpose."

There was \$3.9 million net increase in fund balance, excluding Capital Projects. This is attributed to increases of \$1.8 million, \$1.7 million, and \$.4 million in the General Fund, General Purpose School Fund and Special Revenue Funds, respectively. The Capital Projects Funds had a decrease of \$2.1 million while the School Capital Projects Fund had an increase of \$.4 million. Each of these changes is discussed below.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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As of June 30, 2020, the City's governmental funds reported a combined ending fund balances of \$23.3 million. The components of the balances are:

	(expressed in thousands)	
	<u>2020</u>	<u>2019</u>
General Fund	\$ 11,368	\$ 9,573
General Purpose School Fund	6,204	4,464
Special Revenue Funds	2,195	1,831
Total, except capital projects funds	<u>19,767</u>	<u>15,868</u>
Capital Improvements Fund	(328)	1,787
School Capital Projects Fund	3,864	3,465
Total capital projects funds	<u>3,536</u>	<u>5,252</u>
Total governmental funds	<u><u>\$ 23,303</u></u>	<u><u>\$ 21,120</u></u>

The General Fund is the chief operating fund of Millington and operated with a net increase in fund balance of \$1.8 million, an increase of \$.4 million in comparison with the prior year. General Fund revenue decreased by \$.1 million, as compared to the prior year, while expenditures and other financing uses decreased by a net of \$.5 million. Local sales taxes increased \$.3 million (5.3%) while all other revenues combined increased by \$.3 million. Total revenues in FY2020 exceed expenditures by \$3.3 million compared to revenues over expenditures of \$2.4 million in FY2019. General Fund expenditures decreased \$.9 million and net other financing sources (uses) increased \$.4 million. Approximately 51% (\$5,787,193) of the total fund balance 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 of \$287,759 and committed of \$5,292,632.

As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund revenue. Unassigned fund balance represents 43% of total General Fund revenue. Management has established a goal of maintaining a minimum fund balance of 25% of General Fund revenues.

The increase in the fund balance for the General Purpose School Fund is \$1.7 million. Revenues exceeded expenditures by \$1 million, the same as in FY2018. Net other financing sources (uses) were \$.8 million, an improvement of \$.3 million compared to FY2019.

All the Nonmajor Governmental Funds are special revenue funds. All these special revenue fund balances are used for the specific purposes designated by the provider of the funds or the legislation establishing the fees and charges that generate the revenue. These funds in total had a net increase of \$.4 million in fund balances during the year.

**Proprietary funds.** The City's proprietary funds report financial information on the same basis as the government-wide financial statements (full accrual accounting based on the economic substance of transactions), but in more detail. These funds account for business type activities meaning that they must be self-supporting.

The Water Fund operates on user fees collected from residents and businesses served by the city's two water plants (approximately 80% of the water users within the city limits). Current year operating revenue was \$1.7 million, a 5.5% increase over FY2019. Operating expenses were \$1.2 million, as in the prior year. Total equity increased by \$.5 million to \$8.8 million.

The Sewer Fund operates on user fees collected from residents and businesses served by the city's sewer collection and treatment systems. Current year operating revenue was \$2.6 million, which is a 1% increase over FY2019 when excluding the federal and state grants received in FY2019. Operating expenses were \$1.5 million, the same as FY2019. Total equity increased by \$1 million to \$17.4 million.

**Fiduciary funds.** Millington reports two fiduciary funds. The Millington Municipal Schools OPEB Fund as established to accumulate and pay other post-employment benefits to terminated school employees. On June 30, 2020, the fund had net position held for OPEB benefits of \$303,343, a net increase of \$9,335 for the year.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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The City also maintains agency funds for several school system related programs and organizations. These funds do not belong to the City, but are funds held for others. There are no "fund balances" for agency funds.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget and between the final budget and actual results for the General Fund can be briefly summarized as follows:

- The total revenue budget increased by \$62,400 from original to amended. The increase was \$38,400 for intergovernmental public safety pay supplements and \$24,000 for grants received.
- The original expenditure budget was increased by the same amount as revenues.
- The General Fund revenues were higher than budgeted by 1.6% or \$210,684. The significant differences are summarized in these categories:
  - Property Taxes were over budget by \$54,917.
  - Local Taxes were over budget by \$144,175.
  - Intergovernmental Revenues were over budget by \$82,205.
  - Charges for Services were \$90,867 under budget.
- Actual total expenditures were \$1,406,281 less than the amended budget. Over half of this amount can be attributed to personnel savings from vacancies. The balance was through control of operating expenditures primarily in general government and community services.
- The fund had a balanced budget while the actual results were an operating surplus of \$1,794,203 – a favorable variance to budget of \$1,794,203.

### **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, 2020 amounts to \$113 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, infrastructure, machinery, equipment, and construction in progress. Additions for the year were \$6.2 million and depreciation was \$3.6 million. Construction in progress as of the end of the current fiscal year was \$8.6 million. Additional information on capital assets can be found in the Notes to Financial Statements of this report. The City's total investment in capital assets for the current fiscal year decreased \$1.4 million. Governmental activities increased \$6.3 million and business activities increased \$.2 million.

**Noncurrent Liabilities.** On June 30, 2020 the City had total noncurrent liabilities of \$22,165,317. Of this amount \$18,970,686 comprises debt for governmental activities and \$3,194,631 represents debt for business-type activities. Debt for governmental activities on June 30, 2020 includes \$10,280,009 of notes, a settlement obligation with the Shelby County Schools of \$1,262,033, compensated absences of \$445,035 and OPEB liability of \$6,983,609. Debt for business-type activities includes \$2,171,494 of notes to the State, compensated absences of \$64,497 and OPEB liability of \$958,640. More details on debt are presented in the Notes to Financial Statements.

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 ad valorem tax levy is also without legal limit. 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 the Notes to Financial Statements.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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

The outbreak of the coronavirus disease (COVID-19), referred to herein as "COVID-19," has been declared a pandemic by the World Health Organization. The Governor declared a state of emergency in the State on March 7, 2020. Conditions have varied since that time with significant impact on business and employees. Unemployment applications throughout the State increased substantially to previously unseen levels. The sudden cessation of business activity, travel and tourism resulting from the pandemic, and the government's response to it, had a devastating impact on the retail, cultural, hospitality and the entertainment sectors. The Naval Support Activity Mid-South has been in shutdown conditions since March, substantially reducing the daytime population of Millington.

The COVID-19 pandemic and economic disruption resulting from measures to contain it have resulted in significant delays in collections as well as reductions in the City's fiscal year 2020 and projected revenues for fiscal 2021. However, the ultimate impact of the COVID-19 pandemic on the amount and timing of collections of City revenues cannot be determined at this time. No assurance can be provided that the COVID-19 pandemic and resulting economic disruption will not result in revenues to the City that are lower than projected.

Factors considered in preparing the City's Budget for the 2021 fiscal year are more fully discussed in the Budget document and include:

- The Board of Mayor and Aldermen approved a tax rate to fund FY21 expenditures of \$1.53 per \$100 of assessed value. This is the same rate approved for FY20.
- City service rates for water and sewer increased by 9.3% and 3.9%, respectively, while rates for storm water and sanitation remain the same. These increases were adopted several years ago.
- Projected revenues for the budget were reduced by 12% for local sales and property taxes, 7% for licenses and permits, 8% for intergovernmental revenues to recognize possible revenue losses due to COVID-19.
- Projected revenues in Parks and Recreation were reduced 63% due to expected lost revenue from COVID-19 and from the sale of the USA Stadium Baseball Complex (sale closed after year end) to private investors.
- To balance the budget if these shortages occur, the Board of Mayor and Aldermen adopted a General Fund budget expecting to use \$1,423,075 of fund balance for fiscal 2021.
- 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 \$4,173,568 from this new issue for a total of \$5,670,659 to be drawn in FY21.
- 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, 2019, the Fiscal Year 2020 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, 2020

	<b>Primary Government</b>		
	<b>Governmental Activities</b>		<b>Business-type Activities</b>
			<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,762,841	\$ 12,416,515	\$ 31,179,356
Short-term investments	4,078,352	-	4,078,352
Receivables			
Taxes	3,273,882	-	3,273,882
Fines and fees	1,900,787	564,903	2,465,690
Other	8,621	1,725	10,346
Less allowance for doubtful accounts	(1,796,795)	(217,768)	(2,014,563)
Due from other governments	4,931,611	70,671	5,002,282
Internal balances	(72,626)	72,626	-
Inventories	59,848	572,997	632,845
Restricted cash	13,224	-	13,224
Prepaid items	333,667	56,795	390,462
Capital assets, not being depreciated	13,729,191	2,778,573	16,507,764
Capital assets, being depreciated, net	87,263,945	12,880,835	100,144,780
Net pension asset	4,559,707	154,222	4,713,929
Restricted investments	110,605	-	110,605
Total assets	<u>137,156,860</u>	<u>29,352,094</u>	<u>166,508,954</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	3,634,872	126,254	3,761,126
Related to OPEB	128,724	323,572	452,296
Total deferred outflows of resources	<u>3,763,596</u>	<u>449,826</u>	<u>4,213,422</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,543,804	176,924	3,720,728
Accrued interest payable	67,532	-	67,532
Customer deposits	-	78,745	78,745
Unearned revenue	15,779	-	15,779
Noncurrent liabilities:			
Due within one year	936,057	132,564	1,068,621
Due in more than one year			
Other liabilities	11,051,020	2,103,427	13,154,447
Net OPEB liability	6,983,609	958,640	7,942,249
Total liabilities	<u>22,597,801</u>	<u>3,450,300</u>	<u>26,048,101</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Current property taxes assessed for subsequent period	2,890,941	-	2,890,941
Related to pension	3,890,010	131,815	4,021,825
Related to OPEB	1,155,798	-	1,155,798
Total deferred inflows of resources	<u>7,936,749</u>	<u>131,815</u>	<u>8,068,564</u>
<b>NET POSITION</b>			
Net investment in capital assets	88,779,127	13,327,477	102,106,604
Restricted for:			
Net pension asset	4,559,707	185,900	4,745,607
Stabilization reserve trust	110,605	-	110,605
Transportation and environment	1,164,044	-	1,164,044
Public safety programs	396,097	-	396,097
Education	589,732	-	589,732
Unrestricted	14,786,594	12,706,428	27,493,022
Total net position	<u>\$ 110,385,906</u>	<u>\$ 26,219,805</u>	<u>\$ 136,605,711</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, 2020

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	\$ 2,106,406	\$ 202,839	\$ 38,388	\$ -	\$ (1,865,179)	\$ -	\$ -	\$ (1,865,179)	
Public safety	6,888,128	501,076	140,470	-	(6,246,582)	-	-	(6,246,582)	
Transportation and environment	3,782,298	1,504,835	45,340	3,125,785	893,662	-	-	893,662	
Community services	1,413,627	134,273	24,109	-	(1,255,245)	-	-	(1,255,245)	
Education	28,254,904	71,619	27,853,436	2,001,128	1,671,279	-	-	1,671,279	
Interest on long-term debt	392,299	-	-	-	(392,299)	-	-	(392,299)	
Total governmental activities	<u>42,837,662</u>	<u>2,414,642</u>	<u>28,101,743</u>	<u>5,126,913</u>	<u>(7,194,364)</u>	<u>-</u>	<u>-</u>	<u>(7,194,364)</u>	
Business-type Activities:									
Water	1,171,409	1,746,840	-	-	-	575,431	-	575,431	
Sewer	1,581,517	2,567,105	-	-	-	985,588	-	985,588	
Total business-type activities	<u>2,752,926</u>	<u>4,313,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,019</u>	<u>-</u>	<u>1,561,019</u>	
Total primary government	<u>\$ 45,590,588</u>	<u>\$ 6,728,587</u>	<u>\$ 28,101,743</u>	<u>\$ 5,126,913</u>	<u>(7,194,364)</u>	<u>1,561,019</u>	<u>-</u>	<u>(5,633,345)</u>	
<b>General revenues:</b>									
Property taxes					3,277,231	-	-	3,277,231	
Local option sales tax					5,824,475	-	-	5,824,475	
Other taxes									
Wholesale liquor and beer taxes					434,498	-	-	434,498	
Business and hotel-motel taxes					556,002	-	-	556,002	
Intergovernmental revenues:									
State sales tax					1,017,861	-	-	1,017,861	
State income tax					236,676	-	-	236,676	
Other state revenue					866,496	-	-	866,496	
Other revenue					446,664	680	-	447,344	
Interest on investments					41,428	26,737	-	68,165	
Gain on sale of capital assets					10,445	-	-	10,445	
Total general revenues and transfers					<u>12,711,776</u>	<u>27,417</u>	<u>-</u>	<u>12,739,193</u>	
Change in net position					5,517,412	1,588,436	-	7,105,848	
Net position - beginning					104,868,494	24,631,369	-	129,499,863	
Net position - ending					<u>\$ 110,385,906</u>	<u>\$ 26,219,805</u>	<u>-</u>	<u>\$ 136,605,711</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Capital Improvements Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,256,839	\$ 2,365,806	\$ 595,862	\$ 3,572,962	\$ 1,971,372	\$ 18,762,841
Short-term investments	-	4,078,352	-	-	-	4,078,352
Receivables						
Property taxes	3,273,882	-	-	-	-	3,273,882
Fines and fees	1,643,551	-	-	-	257,236	1,900,787
Other	254	8,367	-	-	-	8,621
Less allowance for doubtful accounts	(1,681,532)	-	-	-	(115,263)	(1,796,795)
Due from other governments	1,434,255	1,316,372	1,364,983	318,963	497,038	4,931,611
Due from other funds	46,922	212,150	12,313	-	90,326	361,711
Inventory	34,115	-	-	-	25,733	59,848
Restricted cash	13,224	-	-	-	-	13,224
Prepaid Items	253,644	56,055	-	-	23,968	333,667
Restricted investments	-	110,605	-	-	-	110,605
<b>Total assets</b>	<b>\$ 15,275,154</b>	<b>\$ 8,147,707</b>	<b>\$ 1,973,158</b>	<b>\$ 3,891,925</b>	<b>\$ 2,750,410</b>	<b>\$ 32,038,354</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 710,572	\$ 1,471,410	\$ 987,247	\$ 28,057	\$ 197,153	\$ 3,394,439
Due to other funds	79,717	-	-	-	354,620	434,337
Unearned revenue	12,057	-	-	-	-	12,057
<b>Total liabilities</b>	<b>802,346</b>	<b>1,471,410</b>	<b>987,247</b>	<b>28,057</b>	<b>551,773</b>	<b>3,840,833</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue						
Property taxes	3,105,224	-	-	-	-	3,105,224
Grants	-	471,910	1,314,352	-	3,722	1,789,984
<b>Total deferred inflows of resources</b>	<b>3,105,224</b>	<b>471,910</b>	<b>1,314,352</b>	<b>-</b>	<b>3,722</b>	<b>4,895,208</b>
<b>FUND BALANCES</b>						
Nonspendable	287,759	56,055	-	-	49,701	393,515
Restricted	-	115,264	-	-	2,145,214	2,260,478
Committed	5,292,632	-	-	-	-	5,292,632
Assigned	-	6,033,068	(328,441)	3,863,868	-	9,568,495
Unassigned	5,787,193	-	-	-	-	5,787,193
<b>Total fund balances</b>	<b>11,367,584</b>	<b>6,204,387</b>	<b>(328,441)</b>	<b>3,863,868</b>	<b>2,194,915</b>	<b>23,302,313</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 15,275,154</b>	<b>\$ 8,147,707</b>	<b>\$ 1,973,158</b>	<b>\$ 3,891,925</b>	<b>\$ 2,750,410</b>	<b>\$ 32,038,354</b>

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, 2020

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Total fund balances, governmental funds \$ 23,302,313

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	\$ 122,507,789
Less: accumulated depreciation	<u>(21,514,653)</u>
	100,993,136

(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.

2,000,545

(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.

Less: bonds payable	(8,346,009)
Less: settlement obligation, net of unamortized discount	<u>(3,196,033)</u>
	(11,542,042)

(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	(67,532)
Less: compensated absences payable	<u>(594,400)</u>
	(661,932)

(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	4,559,707
Less: net OPEB liability	<u>(6,983,609)</u>
	(2,423,902)

(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	3,634,872
Add: deferred outflows of resources related to OPEB	128,724
Less: deferred inflows of resources related to pensions	(3,890,010)
Less: deferred inflows of resources related to OPEB	<u>(1,155,798)</u>
	(1,282,212)

Net position of governmental activities \$ 110,385,906

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, 2020

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>Capital Improvements Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Property taxes	\$ 3,200,437	\$ 6,638,172	\$ -	\$ -	\$ -	\$ 9,838,609
Local sales taxes	6,814,975	3,704,556	-	-	-	10,519,531
Intergovernmental	2,121,033	13,578,967	-	1,996,128	-	17,696,128
Intergovernmental gas tax	-	-	-	-	417,716	417,716
Licenses and permits	437,358	-	-	-	-	437,358
Charges for services	134,453	-	-	-	1,341,755	1,476,208
Fines, forfeitures, and penalties	499,724	-	-	-	1,352	501,076
Federal, state, and other grants	91,549	460,399	2,474,777	-	3,595,909	6,622,634
Interest on investments	39,958	-	399	-	1,071	41,428
Other	83,610	355,344	-	5,000	2,710	446,664
Total revenues	<u>13,423,097</u>	<u>24,737,438</u>	<u>2,475,176</u>	<u>2,001,128</u>	<u>5,360,513</u>	<u>47,997,352</u>
<b>EXPENDITURES</b>						
Current						
General government	1,835,298	-	-	-	-	1,835,298
Public safety	5,846,868	-	-	-	40,534	5,887,402
Transportation and environment	735,665	-	-	-	1,452,035	2,187,700
Community services	876,959	-	-	-	-	876,959
Education	-	23,405,664	-	-	3,447,620	26,853,284
Debt Service						
Principal	592,000	296,219	-	-	-	888,219
Interest and fiscal charges	275,970	81,827	-	-	-	357,797
Capital outlays	-	-	5,337,422	1,602,586	-	6,940,008
Total expenditures	<u>10,162,760</u>	<u>23,783,710</u>	<u>5,337,422</u>	<u>1,602,586</u>	<u>4,940,189</u>	<u>45,826,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,260,337</u>	<u>953,728</u>	<u>(2,862,246)</u>	<u>398,542</u>	<u>420,324</u>	<u>2,170,685</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-
Sale of capital assets	10,445	-	-	-	-	10,445
Transfers in	-	787,112	746,360	-	-	1,533,472
Transfers out	<u>(1,476,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,893)</u>	<u>(1,533,472)</u>
Total other financing sources and uses	<u>(1,466,134)</u>	<u>787,112</u>	<u>746,360</u>	<u>-</u>	<u>(56,893)</u>	<u>10,445</u>
Net change in fund balances	<u>1,794,203</u>	<u>1,740,840</u>	<u>(2,115,886)</u>	<u>398,542</u>	<u>363,431</u>	<u>2,181,130</u>
Fund balances - beginning	<u>9,573,381</u>	<u>4,463,547</u>	<u>1,787,445</u>	<u>3,465,326</u>	<u>1,831,484</u>	<u>21,121,183</u>
Fund balances - ending	<u><u>\$ 11,367,584</u></u>	<u><u>\$ 6,204,387</u></u>	<u><u>\$ (328,441)</u></u>	<u><u>\$ 3,863,868</u></u>	<u><u>\$ 2,194,915</u></u>	<u><u>\$ 23,302,313</u></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, 2020

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Net change in fund balance - total governmental funds		\$ 2,181,130
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	\$ 5,155,076	
Less: depreciation expense	<u>(2,782,066)</u>	2,373,010
(2) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.		
		10,445
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	76,794	
Sales and income taxes	(8,149)	
Grant revenue	<u>278,632</u>	347,277
(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	849,696	
Less: proceeds from debt issuance	<u>-</u>	849,696
(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	4,021	
Change in compensated absences	<u>(204,812)</u>	(200,791)
(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	224,835	
Difference between actual contributions and OPEB expense	<u>(268,190)</u>	(43,355)
Change in net position of governmental activities		<u>\$ 5,517,412</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, 2020

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes	\$ 2,856,000	\$ 2,856,000	\$ 2,897,621	\$ 41,621
Payments in lieu of taxes	274,520	274,520	284,186	9,666
Property tax interest and penalties	15,000	15,000	18,630	3,630
Total property taxes	3,145,520	3,145,520	3,200,437	54,917
<b>LOCAL TAXES</b>				
Local sales tax	5,650,000	5,650,000	5,824,475	174,475
Wholesale beer and liquor tax	440,000	440,000	434,498	(5,502)
Business tax	400,800	400,800	390,470	(10,330)
Hotel/motel tax	180,000	180,000	165,532	(14,468)
Total local taxes	6,670,800	6,670,800	6,814,975	144,175
<b>INTERGOVERNMENTAL</b>				
State of Tennessee shared revenues				
Sales tax	960,000	960,000	1,017,861	57,861
Income tax	-	-	28,240	28,240
Beer tax	4,500	4,500	5,215	715
Liquor tax	39,000	39,000	39,580	580
Bank excise tax	16,000	16,000	22,256	6,256
Receipts in lieu of tax - TVA	135,000	135,000	141,385	6,385
Public safety pay supplements	-	38,400	38,400	-
Receipts in lieu of tax	165,000	165,000	154,151	(10,849)
Fire and ambulance fees	680,928	680,928	673,945	(6,983)
Total state shared taxes	2,000,428	2,038,828	2,121,033	82,205
<b>LICENSES AND PERMITS</b>				
Building and related permits	9,500	9,500	49,428	39,928
Beer and liquor licenses	109,000	109,000	139,393	30,393
Automobile registrations	245,000	245,000	234,519	(10,481)
CATV franchise fees	20,000	20,000	7,693	(12,307)
Other permits	-	-	6,325	6,325
Total licenses and permits	383,500	383,500	437,358	53,858
<b>CHARGES FOR SERVICES</b>				
Recreation fees for services	150,000	150,000	71,921	(78,079)
Recreation rental income	63,500	63,500	51,736	(11,764)
Library fees	11,820	11,820	10,296	(1,524)
Lot mowing fees	-	-	320	320
Animal control fees	-	-	180	180
Total charge for services	225,320	225,320	134,453	(90,867)

**(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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>FINES, FORFEITURES, AND PENALTIES</b>	\$ 523,500	\$ 523,500	\$ 499,724	\$ (23,776)
<b>FEDERAL, STATE, AND OTHER GRANTS</b>	54,500	78,500	91,549	13,049
<b>INTEREST ON INVESTMENTS</b>	80,000	80,000	39,958	(40,042)
<b>OTHER</b>	<u>66,445</u>	<u>66,445</u>	<u>83,610</u>	<u>17,165</u>
<b>Total Revenues</b>	13,150,013	13,212,413	13,423,097	210,684
 <b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Finance and Administration				
Personnel costs	702,495	702,495	583,232	119,263
Contractual services	317,920	317,920	296,002	21,918
Materials and supplies	81,500	87,700	57,539	30,161
Other charges	118,200	118,200	79,745	38,455
Capital outlay	45,000	40,000	15,537	24,463
	<u>1,265,115</u>	<u>1,266,315</u>	<u>1,032,055</u>	<u>234,260</u>
General Government				
Personnel costs	298,600	298,600	125,833	172,767
Contractual services	62,379	62,379	3,000	59,379
Other charges	<u>225,000</u>	<u>225,000</u>	<u>216,577</u>	<u>8,423</u>
	<u>585,979</u>	<u>585,979</u>	<u>345,410</u>	<u>240,569</u>
Courts				
Personnel costs	224,385	231,276	218,125	13,151
Contractual services	8,700	9,050	9,050	-
Materials and supplies	26,000	21,009	19,653	1,356
Other charges	<u>9,700</u>	<u>7,450</u>	<u>5,731</u>	<u>1,719</u>
	<u>268,785</u>	<u>268,785</u>	<u>252,559</u>	<u>16,226</u>
Codes and Economic Development				
Personnel costs	142,854	52,854	(9,369)	62,223
Contractual services	129,000	219,000	190,204	28,796
Materials and supplies	36,250	36,273	11,555	24,718
Other charges	26,000	25,977	3,643	22,334
Capital outlay	<u>9,300</u>	<u>9,300</u>	<u>4,175</u>	<u>5,125</u>
	<u>343,404</u>	<u>343,404</u>	<u>200,208</u>	<u>143,196</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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Personnel				
Materials and supplies	\$ 5,100	\$ 5,253	\$ 5,007	\$ 246
Capital outlay	1,500	1,347	59	1,288
	<u>6,600</u>	<u>6,600</u>	<u>5,066</u>	<u>1,534</u>
Total general government	2,469,883	2,471,083	1,835,298	635,785
<b>PUBLIC SAFETY</b>				
Police Department				
Personnel costs	2,582,723	2,645,904	2,597,751	48,153
Contractual services	12,900	23,785	23,693	92
Materials and supplies	293,950	289,061	234,614	54,447
Other charges	116,000	106,640	99,923	6,717
Capital outlay	22,000	7,717	7,717	-
	<u>3,027,573</u>	<u>3,073,107</u>	<u>2,963,698</u>	<u>109,409</u>
Fire Department				
Personnel costs	1,922,080	1,938,880	1,897,112	41,768
Contractual services	750,193	750,193	750,193	-
Materials and supplies	142,500	143,129	132,652	10,477
Other charges	73,800	77,489	69,924	7,565
Capital outlay	41,000	36,748	33,289	3,459
	<u>2,929,573</u>	<u>2,946,439</u>	<u>2,883,170</u>	<u>63,269</u>
Total public safety	5,957,146	6,019,546	5,846,868	172,678
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	682,082	686,433	642,783	43,650
Materials and supplies	101,500	97,149	68,885	28,264
Other charges	26,500	26,500	18,825	7,675
Capital outlay	21,500	21,500	5,172	16,328
	<u>831,582</u>	<u>831,582</u>	<u>735,665</u>	<u>95,917</u>
<b>COMMUNITY SERVICES</b>				
Library				
Contractual services	330,607	331,147	331,147	-
Materials and supplies	11,200	9,460	7,967	1,493
Other charges	25,500	25,500	18,742	6,758
	<u>367,307</u>	<u>366,107</u>	<u>357,856</u>	<u>8,251</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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
				<b>Positive</b>	<b>(Negative)</b>
Arts, Recreation, and Parks					
Personnel costs	\$ 566,851	\$ 566,851	\$ 328,525	\$ 238,326	
Contractual services	29,500	29,271	15,638	13,633	
Materials and supplies	145,490	150,845	64,358	86,487	
Other charges	154,200	154,074	100,269	53,805	
Grants	20,000	20,000	-	20,000	
Capital outlay	21,500	16,500	10,313	6,187	
	<u>937,541</u>	<u>937,541</u>	<u>519,103</u>	<u>418,438</u>	
Total community services	1,304,848	1,303,648	876,959	426,689	
<b>DEBT SERVICE</b>					
Principal	592,000	592,000	592,000	-	
Interest and fiscal charges	351,182	351,182	275,970	75,212	
Total debt service	<u>943,182</u>	<u>943,182</u>	<u>867,970</u>	<u>75,212</u>	
<b>Total Expenditures</b>	<u>11,506,641</u>	<u>11,569,041</u>	<u>10,162,760</u>	<u>1,406,281</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,643,372	1,643,372	3,260,337	1,616,965	
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	25,000	25,000	10,445	(14,555)	
Transfers out	<u>(1,668,372)</u>	<u>(1,668,372)</u>	<u>(1,476,579)</u>	<u>191,793</u>	
<b>Total Other Financing Sources (Uses)</b>	<u>(1,643,372)</u>	<u>(1,643,372)</u>	<u>(1,466,134)</u>	<u>177,238</u>	
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,794,203</u>	<u>\$ 1,794,203</u>	
Fund balances - beginning			<u>9,573,381</u>		
Fund balances - ending			<u>\$ 11,367,584</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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
<b>REVENUES</b>					
<b>PROPERTY TAXES</b>					
Current property tax	\$ 6,290,327	\$ 6,290,327	\$ 6,385,602	\$ 95,275	
Trustee's collection - prior yrs	168,906	168,901	91,455	(77,446)	
Circuit clerk collection prior yrs	4,080	4,080	61,923	57,843	
Payments in lieu of taxes	123,300	123,300	99,192	(24,108)	
	6,586,613	6,586,608	6,638,172	51,564	
<b>LOCAL TAXES</b>					
Local option sales tax	2,726,165	2,726,165	2,995,887	269,722	
Wheel tax	587,702	587,700	565,747	(21,953)	
Mixed drink tax	36,000	36,000	40,712	4,712	
Other county local option tax	-	-	102,210	102,210	
	3,349,867	3,349,865	3,704,556	354,691	
<b>INTERGOVERNMENTAL</b>					
Regular education funds					
Basic education program	13,112,000	13,112,000	13,161,841	49,841	
Early childhood education	300,902	281,726	277,136	(4,590)	
Other state education funds	29,612	29,612	29,612	-	
Coordinated school health	80,000	80,000	79,971	(29)	
Career ladder program	34,400	34,400	30,407	(3,993)	
	13,556,914	13,537,738	13,578,967	41,229	
<b>FEDERAL, STATE, AND OTHER GRANTS</b>					
E-rate funding	383,400	396,286	246,886	(149,400)	
Public Law 874 - Maintenance & Operation	48,582	48,582	58,683	10,101	
Rotc reimbursement	90,000	90,000	89,480	(520)	
Special education grant to state	25,749	35,594	9,845	(25,749)	
Safe school grant	26,400	51,680	51,680	-	
Other state revenues	-	-	3,825	3,825	
	574,131	622,142	460,399	(161,743)	
<b>OTHER</b>					
Recurring items:					
Investment income	3,500	3,500	41,178	37,678	
Lease/rentals	11,400	11,400	35,460	24,060	
Nonrecurring items:					
Damages recovered from individuals	-	-	3,096	3,096	
Contributions and gifts	350	350	2,400	2,050	
Other - Donations	-	5,000	25,946	20,946	
Insurance Recovery	-	-	5,103	5,103	
Other local revenue	371,265	238,000	238,000	-	
Miscellaneous refund	-	-	4,161	4,161	
	386,515	258,250	355,344	97,094	
<b>Total Revenues</b>	24,454,040	24,354,603	24,737,438	765,670	

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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, 2020

<b>EXPENDITURES</b> <b>EDUCATION</b>	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Instruction				
Regular instruction:				
Personnel costs	\$ 10,086,805	\$ 10,057,112	\$ 9,480,053	\$ 577,059
Contractual services	220,200	230,519	134,977	95,542
Materials and supplies	107,675	110,073	92,703	17,370
Other charges	35,909	57,915	40,042	17,873
Equipment	349,917	349,917	340,097	9,820
Total regular instruction:	10,800,506	10,805,536	10,087,872	717,664
Alternative school:				
Personnel costs	125,974	117,377	110,359	7,018
Contractual services	14,107	3,265	3,161	104
Materials and supplies	500	500	474	26
Total alternative school:	140,581	121,142	113,994	7,148
Special education program:				
Personnel costs	1,434,562	1,450,199	1,365,416	84,783
Contractual services	161,888	144,798	138,573	6,225
Materials and supplies	4,100	9,404	7,676	1,728
Equipment	6,000	66,846	46,035	20,811
Total special education program:	1,606,550	1,671,247	1,557,700	113,547
Vocational education:				
Personnel costs	942,240	1,032,637	976,606	56,031
Contractual services	18,221	18,221	9,191	9,030
Materials and supplies	52,400	51,400	27,184	24,216
Other charges	-	815	815	-
Total vocational education:	1,012,861	1,103,073	1,013,796	89,277
<b>Total instructional:</b>	<b>13,560,498</b>	<b>13,700,998</b>	<b>12,773,362</b>	<b>927,636</b>
Support services				
Health services:				
Personnel costs	66,947	66,951	66,923	28
Contractual services	157,733	157,732	122,429	35,303
Materials and supplies	5,000	4,977	4,973	4
Other charges	8,000	6,624	4,813	1,811
Equipment	3,729	3,946	3,946	-
Total health services:	241,409	240,230	203,084	37,146
Other student support:				
Personnel costs	611,874	630,856	614,566	16,290
Contractual services	26,400	51,680	51,680	-
Materials and supplies	3,956	3,621	1,169	2,452
Other charges	7,000	7,765	891	6,874
Total other student support:	649,230	693,922	668,306	25,616

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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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
Regular instruction support:					
Personnel costs	\$ 619,421	\$ 618,421	\$ 582,414	\$ 36,007	
Contractual services	111,170	111,170	73,842	37,328	
Materials and supplies	15,735	16,735	12,817	3,918	
Other charges	76,398	107,966	80,140	27,826	
Equipment	5,850	-	-	-	
Total regular instruction support:	828,574	854,292	749,213	105,079	
Alternative education support:					
Personnel costs	81,140	81,140	64,570	16,570	
Materials and supplies	200	200	-	200	
Other charges	1,500	1,500	405	1,095	
Total alternative education support:	82,840	82,840	64,975	17,865	
Special education support:					
Personnel costs	318,385	335,412	325,662	9,750	
Contractual services	87,770	58,701	58,331	370	
Materials and supplies	3,000	3,000	2,962	38	
Other charges	13,359	9,135	8,638	497	
Equipment	5,000	1,320	1,320	-	
Total special education support:	427,514	407,568	396,913	10,655	
Vocational educational support:					
Personnel costs	133,923	237,722	104,771	132,951	
Contractual services	15,000	9,900	9,875	25	
Other charges	-	2,279	2,279	-	
Total vocational educational support:	148,923	249,901	116,925	132,976	
Technology:					
Personnel costs	459,086	465,548	465,023	525	
Contractual services	2,500	2,500	2,400		
Materials and supplies	4,268	4,268	4,239	29	
Other charges	338,180	415,335	366,762	48,573	
Equipment	32,900	313,500	75,512	237,988	
Total technology:	836,934	1,201,151	913,936	287,115	
Board of education:					
Personnel costs	149,027	153,062	141,253	11,809	
Contractual services	88,501	76,436	666	75,770	
Materials and supplies	600	600	207	393	
Other charges	104,175	116,240	108,087	8,153	
Total board of education:	342,303	346,338	250,213	96,125	
Office of the director of schools:					
Personnel costs	320,044	342,484	332,017	10,467	
Contractual services	7,500	6,000	6,000	-	
Materials and supplies	5,900	5,466	5,387	79	
Other charges	20,500	24,500	16,668	7,832	
Total office of the director of schools:	353,944	378,450	360,072	18,378	

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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, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Office of principal:				
Personnel costs	\$ 2,116,049	\$ 2,123,275	\$ 2,088,938	\$ 34,337
Contractual services	-	525	244	281
Materials and supplies	12,279	9,977	4,794	5,183
Other charges	3,807	10,711	9,583	1,128
Equipment	12,279	10,539	3,433	7,106
<b>Total office of principal:</b>	<b>2,144,414</b>	<b>2,155,027</b>	<b>2,106,992</b>	<b>40,929</b>
Fiscal services:				
Personnel costs	405,583	415,259	410,223	5,036
Contractual services	30,038	30,038	28,906	1,132
Materials and supplies	2,779	2,778	2,699	79
Other charges	12,500	9,559	6,959	2,600
<b>Total fiscal services:</b>	<b>450,900</b>	<b>457,634</b>	<b>448,787</b>	<b>8,847</b>
Human services:				
Personnel costs	301,640	272,832	261,997	10,835
Contractual services	19,590	59,314	57,607	1,707
Materials and supplies	5,000	4,900	3,472	1,428
Other charges	6,750	6,850	4,080	2,770
<b>Total human services:</b>	<b>332,980</b>	<b>343,896</b>	<b>327,156</b>	<b>16,740</b>
Plant operations:				
Personnel costs	912,181	907,083	891,333	15,750
Contractual services	30,000	30,000	25,305	4,695
Materials and supplies	3,600	3,600	2,846	754
Other charges	854,854	858,164	706,941	151,223
Equipment	1,000	1,000	239	761
<b>Total plant operations:</b>	<b>1,801,635</b>	<b>1,799,847</b>	<b>1,626,664</b>	<b>173,183</b>
Plant maintenance:				
Personnel costs	97,753	97,822	89,864	7,958
Contractual services	146,537	145,669	135,739	9,930
Materials and supplies	3,000	3,000	2,285	715
Other charges	209,350	325,816	256,074	69,742
Equipment	500	12,500	8,796	3,704
<b>Total plant maintenance:</b>	<b>457,140</b>	<b>584,807</b>	<b>492,758</b>	<b>92,049</b>
Pupil transportation:				
Contractual services	1,260,076	1,187,920	1,187,920	-
Materials and supplies	300	300	154	146
Other charges	117,150	72,401	72,251	150
<b>Total pupil transportation:</b>	<b>1,377,526</b>	<b>1,260,621</b>	<b>1,260,325</b>	<b>296</b>
Central and other:				
Personnel costs	2,000	2,338	2,328	10
Other charges	112,000	97,811	91,277	6,534
Equipment	15,000	12,815	11,986	829
<b>Total central and other:</b>	<b>129,000</b>	<b>112,964</b>	<b>105,591</b>	<b>7,373</b>
<b>Total support services:</b>	<b>10,605,266</b>	<b>11,169,488</b>	<b>10,091,910</b>	<b>1,077,478</b>

**(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 BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Non-instructional</b>				
Early childhood education:				
Personnel costs	\$ 550,587	\$ 542,891	\$ 529,396	\$ 13,495
Contractual services	137,340	3,885	3,215	670
Materials and supplies	12,400	10,366	7,781	2,585
Other charges	7,000	-	-	-
Total early childhood education:	707,327	557,142	540,392	16,750
Total non-instructional:	707,327	557,142	540,392	16,750
<b>DEBT SERVICE</b>				
Principal	66,000	66,000	66,000	-
Interest	81,827	81,827	81,827	-
Other debt service	230,219	230,219	230,219	-
Total debt service	378,046	378,046	378,046	-
<b>Total Expenditures</b>	<b>25,251,137</b>	<b>25,805,674</b>	<b>23,783,710</b>	<b>2,021,864</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(797,097)	(1,451,071)	953,728	2,404,799
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Transfers in	877,100	797,100	787,112	(9,988)
Transfers out	-	-	-	-
Planned use of fund balance	-	653,972	-	(653,972)
<b>Total Other Financing Sources (Uses)</b>	<b>877,100</b>	<b>1,451,072</b>	<b>787,112</b>	<b>(663,960)</b>
Net change in fund balances	\$ 80,003	\$ 1	1,740,840	\$ 1,740,839
Fund balances - beginning			4,463,547	
Fund balances - ending			\$ 6,204,387	

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

June 30, 2020

	<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	\$ 3,083,706	\$ 9,332,809	\$ 12,416,515	
Receivables				
Customers	340,889	224,014	564,903	
Other	1,725	-	1,725	
Less allowance for doubtful accounts	(131,884)	(85,884)	(217,768)	
Due from other governments	-	70,671	70,671	
Due from other funds	4,560	93,862	98,422	
Inventory	572,997		572,997	
Prepaid expenses	19,995	36,800	56,795	
Total current assets	3,891,988	9,672,272	13,564,260	
Noncurrent assets:				
Capital assets, not being depreciated	405,268	2,373,305	2,778,573	
Capital assets, being depreciated, net	4,962,087	7,918,748	12,880,835	
Total capital assets, net	5,367,355	10,292,053	15,659,408	
Net pension asset	61,689	92,533	154,222	
Total noncurrent assets	5,429,044	10,384,586	15,813,630	
Total assets	9,321,032	20,056,858	29,377,890	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pension	50,502	75,752	126,254	
Related to OPEB	197,587	125,985	323,572	
Total deferred outflows of resources	248,089	201,737	449,826	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	91,837	85,087	176,924	
Due to other funds	25,796	-	25,796	
Customer deposits	78,745	-	78,745	
Current portion of bonds and notes payable	-	132,564	132,564	
Total current liabilities	196,378	217,651	414,029	
Noncurrent liabilities:				
Bonds and notes payable, net of current portion, discounts, and premiums	-	2,038,930	2,038,930	
Accrued compensated absences	34,285	30,212	64,497	
Net OPEB liability	450,863	507,777	958,640	
Total noncurrent liabilities	485,148	2,576,919	3,062,067	
Total liabilities	681,526	2,794,570	3,476,096	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pension	52,726	79,089	131,815	
<b>NET POSITION</b>				
Net investment in capital assets	5,302,986	8,024,491	13,327,477	
Restricted - net pension asset	74,360	111,540	185,900	
Unrestricted	3,457,523	9,248,905	12,706,428	
Total net position	\$ 8,834,869	\$ 17,384,936	\$ 26,219,805	

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, 2020

	<b>Business-type Activities:</b>		<b>Total Proprietary Funds</b>	
	<b>Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>		
<b>Operating Revenues:</b>				
Metered water sales	\$ 1,656,101	\$ -	\$ 1,656,101	
Sewer service fee	-	2,523,267	2,523,267	
Service connections fees	64,067	25,887	89,954	
Forfeited discounts	24,262	17,951	42,213	
Other	2,936	154	3,090	
Total operating revenues	<u>1,747,366</u>	<u>2,567,259</u>	<u>4,314,625</u>	
<b>Operating Expenses:</b>				
Salaries	274,570	385,851	660,421	
Benefits	125,514	145,874	271,388	
Materials and supplies	215,970	101,465	317,435	
Pumping and filtering	136,670	184,637	321,307	
Professional services	36,907	98,064	134,971	
Other services and charges	106,215	78,286	184,501	
Depreciation	275,563	553,932	829,495	
Total operating expenses	<u>1,171,409</u>	<u>1,548,109</u>	<u>2,719,518</u>	
Operating income	575,957	1,019,150	1,595,107	
<b>Nonoperating Revenues (Expenses):</b>				
Interest	1,501	25,236	26,737	
Bond interest and fiscal charges	-	(33,408)	(33,408)	
Total nonoperating revenues (expenses)	<u>1,501</u>	<u>(8,172)</u>	<u>(6,671)</u>	
Change in net position	577,458	1,010,978	1,588,436	
Total net position - beginning	<u>8,257,411</u>	<u>16,373,958</u>	<u>24,631,369</u>	
Total net position - ending	<u>\$ 8,834,869</u>	<u>\$ 17,384,936</u>	<u>\$ 26,219,805</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, 2020

	Business-type Activities:		Total Proprietary Funds	
	Enterprise Funds			
	Water Fund	Sewer Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,806,463	\$ 2,861,292	\$ 4,667,755	
Payments to suppliers	(1,019,741)	(423,058)	(1,442,799)	
Payments to employees	(378,634)	(505,139)	(883,773)	
Other receipts	526	154	680	
Net cash provided by operating activities	<u>408,614</u>	<u>1,933,249</u>	<u>2,341,863</u>	
<b>CASH FLOW FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>				
Payment (to) from other fund	25,597	109,475	135,072	
<b>CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(422,898)	(661,034)	(1,083,932)	
Principal paid on capital debt	-	(130,704)	(130,704)	
Interest paid on capital debt	-	(33,408)	(33,408)	
Net cash from (used for) capital and related financing activities	<u>(422,898)</u>	<u>(825,146)</u>	<u>(1,248,044)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>1,501</u>	<u>25,236</u>	<u>26,737</u>	
Net increase in cash and cash equivalents	12,814	1,242,814	1,255,628	
Cash and cash equivalents - beginning of the year	<u>3,070,892</u>	<u>8,089,995</u>	<u>11,160,887</u>	
Cash and cash equivalents - end of the year	<u>\$ 3,083,706</u>	<u>\$ 9,332,809</u>	<u>\$ 12,416,515</u>	
<b>Reconciliation of operating income to net cash from operating activities:</b>				
Operating income	\$ 575,957	\$ 1,019,150	\$ 1,595,107	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	275,563	553,932	829,495	
Pension expense in excess of employer contributions	(203,601)	(135,003)	(338,604)	
OPEB expense in excess of employer contributions	223,685	152,586	376,271	
Change in assets and liabilities				
Receivables	(18,792)	294,382	275,590	
Inventory	(572,997)	-	(572,997)	
Prepaid expenses	5,308	(2,009)	3,299	
Accounts payable	43,710	41,403	85,113	
Accrued compensated absences	1,366	9,003	10,369	
Customer deposits	78,415	(195)	78,220	
Net cash provided by operating activities	<u>\$ 408,614</u>	<u>\$ 1,933,249</u>	<u>\$ 2,341,863</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2020

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	<b>School OPEB Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 14,334	\$ 415,051
Inventory	-	2,930
Investments, at fair value:		
Fixed income	82,873	-
Domestic equities	131,202	-
International equities	56,720	-
Structured investments	18,214	-
Total investments	<u>289,009</u>	<u>-</u>
Total assets	303,343	<u>\$ 417,981</u>
<b>LIABILITIES</b>		
Due to student general fund	-	\$ 214,473
Due to student groups	<u>-</u>	<u>203,508</u>
Total liabilities	<u>-</u>	<u>\$ 417,981</u>
<b>NET POSITION</b>		
Restricted for OPEB	303,343	
Total net position	<u>\$ 303,343</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, 2020

	<b>School OPEB Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 89,404
Investment earnings (losses):	
Net appreciation in fair value of investments	41
Interest and dividends	<u>10,535</u>
Total investment earnings	<u>10,576</u>
Total additions	99,980
<b>DEDUCTIONS</b>	
Benefits	89,404
Administrative expense	<u>1,241</u>
Total deductions	<u>90,645</u>
Change in net position	9,335
Net position - beginning of the year	<u>294,008</u>
Net position - end of the year	<u>\$ 303,343</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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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 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" or "MMS"). 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**

*1. Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 regarding 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.

*2. 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 funds are as follows:

**Major Governmental Funds:** General Fund, General Purpose School Fund, Capital Improvements Fund, School Capital Projects Fund.

**Major Proprietary Funds:** Water Fund and Sewer Fund

Detailed descriptions of these funds are presented below.

### *3. 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.

### *4. 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, 2020, 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

### *5. 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 the 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 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Restricted investments consist of assets held in an irrevocable trust for future TCRS pension benefits.

### **2. Receivables**

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

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, 2020. 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

### *3. Interfund Transactions*

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 statement of activities, all transfers between individual governmental funds have been eliminated.

### *4. Inventories and prepaid items*

Inventories consist of expendable supplies held for consumption and are valued at cost. 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

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 those related to pensions and OPEB changes.

### *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 measurable 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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### **10. Net position and fund balance**

In the government-wide financial statements and the proprietary fund 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 classifications 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. In other governmental funds, the classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

### **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**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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. 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2021. The City of Millington is currently evaluating the impact of GASB Statement No. 84 may have on its financial statements.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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GASB Statement No. 87, Leases, was issued to increase the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhance comparability by requiring lessees and lessors to report leases under a single model, and enhance the usefulness of information by requiring notes to the financial statement regarding leasing arrangements. The requirements of GASB No. 87 are effective for fiscal year 2022. The City is currently evaluating the impact of GASB No. 87 may have on its financial statements.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **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, 2020, no fund's expenditures exceeded appropriations and the capital projects fund had a deficit fund balance of \$328,441 due to the timing of payments on grant reimbursements.

## **NOTE 3 – DEPOSITS**

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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, 2020, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

## **NOTE 4 – INVESTMENTS**

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**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.

The School is a member of the Tennessee Consolidated Retirement System (“TCRS”) Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by 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 trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the School or City. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The School may not impose restrictions on investments placed by the trust on their behalf.

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.

### *A. Primary Government Investments*

The School may invest in certain risk-free, interest-bearing instruments. General purpose school fund investments of \$4,078,352 consist of certificates of deposit (at cost) as of June 30, 2020. 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. Restricted Investments – TCRS Stabilization Reserve Trust*

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares. For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>. The following table summarizes fair value disclosures and measurements for Bartlett School's investments held by the TRGT on its behalf June 30, 2020:

<b>Investments at Fair Value</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Domestic equities	\$ 34,288	\$ 34,288	\$ -	\$ -
Developed market international equity	15,485	15,485	-	-
Emerging market international equity	4,424	4,424	-	-
Domestic fixed income	22,121	-	22,121	-
Short-term securities	1,106	-	1,106	-
Real estate	11,061	-	-	11,061
	<b>\$ 88,485</b>	<b>\$ 54,197</b>	<b>\$ 23,227</b>	<b>\$ 11,061</b>
<b>Investments at amortized cost using NAV</b>				
Private equity and strategic lending	22,120			
Total restricted investments	<b>\$ 110,605</b>			

## **NOTE 4 – INVESTMENTS (CONTINUED)**

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### *C. 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. The following table summarized fair value disclosures and measurements for fiduciary investments at June 30, 2020:

Investments at Fair Value	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	\$ 82,873	\$ 82,873	\$ -	\$ -
Domestic equities mutual funds	131,202	131,202	-	-
International equities mutual funds	56,720	56,720	-	-
Structured investments	18,214	-	-	18,214
<b>Total fiduciary investments</b>	<b>\$ 289,009</b>	<b>\$ 270,795</b>	<b>\$ -</b>	<b>\$ 18,214</b>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020:

- *Short-term securities*: generally, include investments in money market-type securities reported at cost plus accrued interest.
- *Equity and equity derivative securities*: Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are securities whose values are derived daily from associated traded securities. Level 3 are valued with last trade data having limited trading volume.
- *US Treasury Bills, Bonds, Notes and Futures*: Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.
- *Real estate investments*: Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.
- *Private mutual funds, traditional private equity funds, strategic lending funds and real estate funds*: Those funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

**Risks and Uncertainties** – The fiduciary fund trust's and TRGT's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have the ability to limit TRGT investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School manages its exposure to declines in fair value by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The School invests operating funds primarily in shorter-term securities and limits the average maturity of the portfolio to those established by TCA 6-5-106 for commercial paper and repurchase agreements and four years for investments in securities of the U.S. Treasury, Federal Government sponsored agencies, or certificates of deposit.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School does not have the ability to limit the credit ratings of individual investments made by the trust.

#### **NOTE 4 – INVESTMENTS (CONTINUED)**

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The School places no limit on the amount the TRGT may invest in one issuer. The School has adopted the investment policy established by TCA 6-5-106 for investments other than those held for OPEB benefits. The School diversifies its fiduciary fund investment portfolios so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The School had no investments that comprised more than 5% of its total investments at June 30, 2020.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The third party bank is also a participant in the State collateral pool. Pursuant to the trust agreements, investments are held in the TRGT and each fiduciary trust are for the benefit of the Collierville Schools to pay retirement benefits of their respective employees.

#### **NOTE 5 – INTERFUND TRANSACTIONS**

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The composition of interfund balances as of June 30, 2020, is as follows:

Receivable From	Payable To					Aggregate Nonmajor Governmental	Total
	General	Capital Projects	Water	Sewer			
General	\$ -	\$ 12,313	\$ -	\$ 67,404	\$ -	\$ -	\$ 79,717
Water	6,163	-	-	19,633	-	-	25,796
Aggregate Nonmajor Governmental	40,759	-	4,560	6,825	90,326	142,470	
Total	<u>\$ 46,922</u>	<u>\$ 12,313</u>	<u>\$ 4,560</u>	<u>\$ 93,862</u>	<u>\$ 90,326</u>	<u>\$ 247,983</u>	

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

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Transfers Out	Transfer In		
	General Purpose School	Capital Projects	Total
General	<u>\$ 730,219</u>	<u>\$ 746,360</u>	<u>\$ 1,476,579</u>

There were no transfers in or out of proprietary funds during the fiscal year ended June 30, 2020. Transfers out of the general fund represent contributions and capital improvement project funding.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,877,405	\$ 293,704	\$ -	\$ 7,171,109
Construction in progress	10,061,411	6,222,140	(9,725,469)	6,558,082
Total capital assets, not being depreciated	16,938,816	6,515,844	(9,725,469)	13,729,191
Capital assets, being depreciated:				
Buildings and improvements	58,093,924	8,009,890	-	66,103,814
Furnishings and equipment	2,127,644	191,664	-	2,319,308
Vehicles	4,444,876	173,592	(53,288)	4,565,180
Infrastructure	35,790,296	-	-	35,790,296
Total capital assets, being depreciated	100,456,740	8,375,146	(53,288)	108,778,598
Less accumulated depreciation for:				
Buildings and improvements	(10,479,600)	(1,477,253)	-	(11,956,853)
Furnishings and equipment	(1,341,448)	(127,396)	-	(1,468,844)
Vehicles	(3,337,189)	(337,404)	53,288	(3,621,305)
Infrastructure	(3,627,638)	(840,013)	-	(4,467,651)
Total accumulated depreciation	(18,785,875)	(2,782,066)	53,288	(21,514,653)
Total capital assets, being depreciated, net	81,670,865	5,593,080	-	87,263,945
Governmental activities capital assets, net	\$ 98,609,681	\$ 12,108,924	\$ (9,725,469)	\$ 100,993,136
 <b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	1,154,646	931,658	(34,680)	2,051,624
Total capital assets, not being depreciated	1,881,595	931,658	(34,680)	2,778,573
Capital assets, being depreciated:				
Buildings and improvements	29,005,201	-	-	29,005,201
Furnishings and equipment	3,898,046	186,954	-	4,085,000
Vehicles	789,630	-	-	789,630
Total capital assets, being depreciated	33,692,877	186,954	-	33,879,831
Less accumulated depreciation for:				
Buildings and improvements	(15,856,278)	(756,233)	-	(16,612,511)
Furnishings and equipment	(3,681,247)	(25,084)	-	(3,706,331)
Vehicles	(631,976)	(48,178)	-	(680,154)
Total accumulated depreciation	(20,169,501)	(829,495)	-	(20,998,996)
Total capital assets, being depreciated, net	13,523,376	(642,541)	-	12,880,835
Business-type activities capital assets, net	\$ 15,404,971	\$ 289,117	\$ (34,680)	\$ 15,659,408

## **NOTE 6 – CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
General government	\$ 84,830
Public safety	246,369
Transportation and environment	1,053,008
Community services	74,682
Education	1,323,177
Total depreciation expense - governmental activities	<u>\$ 2,782,066</u>
Business-type Activities:	
Water	\$ 275,563
Sewer	553,932
Total depreciation expense - business-type activities	<u>\$ 829,495</u>

## **NOTE 7 – LONG-TERM LIABILITIES**

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### *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, 2020, 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.

#### Shelby County 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%.

## NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Debt outstanding as of June 30, 2020 consisted of the following:

	Original Issue	Interest Rates	Maturity Date	Balance Outstanding at Year End
<b>Governmental activities:</b>				
<i>Notes Payable:</i>				
<u>Payable through General Fund</u>				
Capital Outlay Note, Series 2010	\$ 1,000,000	3.78%	10/1/2020	\$ 118,000
TN Municipal League Note, Series 2011	5,000,000	3.29%	6/1/2036	3,715,000
TN Municipal League Note, Series 2013	1,150,000	2.90%	5/1/1933	816,000
TN Municipal League Note, Series 2015	6,000,000	3.02%	9/1/2035	<u>3,697,009</u>
	13,150,000			8,346,009
<u>Payable through General Purpose School Fund</u>				
TN Municipal League Note, Series 2018	2,000,000	4.16%	9/1/2035	<u>1,934,000</u>
Total notes payable	15,150,000			10,280,009
<i>Other Debt:</i>				
<u>Payable through General Purpose School Fund</u>				
Shelby County Settlement Liability	2,762,628	2.89%	11/1/2026	<u>1,262,033</u>
	<u>\$ 17,912,628</u>			<u>\$ 11,542,042</u>
<b>Business-type activities:</b>				
<i>Notes Payable:</i>				
<u>Payable through Sewer Fund</u>				
State Revolving Loan Fund	\$ 2,827,400	1.41%	4/1/2035	<u>2,171,494</u>

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
2021	\$ 679,500	\$ 335,548	\$ 132,564	\$ 29,760
2022	702,000	312,302	134,436	27,888
2023	723,000	289,624	136,344	25,980
2024	772,000	265,850	138,288	24,036
2025	799,800	240,856	140,244	22,080
2026-2030	3,635,500	841,911	731,652	79,968
2031-2035	2,139,209	365,910	744,510	26,808
2036	829,000	55,559	13,456	192
	<u>\$ 10,280,009</u>	<u>\$ 2,707,560</u>	<u>\$ 2,171,494</u>	<u>\$ 236,712</u>

## **NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)**

Future payments under the settlement liability are as follows:

Years Ending	June 30	Amount
2021		\$ 230,219
2022		230,219
2023		230,219
2024		230,219
2025		230,219
2026		230,219
Total payments		<u>\$ 1,381,314</u>
Less amount representing interest		<u>(119,281)</u>
		<u><u>\$ 1,262,033</u></u>

### *2. Changes in long-term liabilities*

A summary of long-term liability activity, including debt, for the year ended June 30, 2020 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 10,938,009	\$ -	\$ (658,000)	\$ 10,280,009	\$ 679,500
Settlement obligation	1,453,729	-	(191,696)	1,262,033	230,219
Total long-term debt	<u>12,391,738</u>	<u>-</u>	<u>(849,696)</u>	<u>11,542,042</u>	<u>909,719</u>
Compensated absences	389,588	81,798	(26,351)	445,035	26,338
	<u><u>\$ 12,781,326</u></u>	<u><u>\$ 81,798</u></u>	<u><u>\$ (876,047)</u></u>	<u><u>\$ 11,987,077</u></u>	<u><u>\$ 936,057</u></u>
<b>Business-type activities:</b>					
Note payable - construction	\$ 2,302,198	\$ -	\$ (130,704)	\$ 2,171,494	\$ 132,564
Compensated absences	54,128	11,947	(1,578)	64,497	-
	<u><u>\$ 2,356,326</u></u>	<u><u>\$ 11,947</u></u>	<u><u>\$ (132,282)</u></u>	<u><u>\$ 2,235,991</u></u>	<u><u>\$ 132,564</u></u>

For governmental activities, the net pension liability, net OPEB liability, and compensated absences are generally liquidated by the general fund and general purpose school fund.

## 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
<b>Nonspendable for:</b>						
Inventory	\$ 34,115	\$ -	\$ -	\$ -	\$ 25,733	\$ 59,848
Prepaid expenditures	253,644	56,055	-	-	23,968	333,667
<b>Total nonspendable fund balance</b>	<b>287,759</b>	<b>56,055</b>	<b>-</b>	<b>-</b>	<b>49,701</b>	<b>393,515</b>
<b>Restricted for:</b>						
Streets	-	-	-	-	109,012	109,012
Sanitation	-	-	-	-	745,322	745,322
Drug enforcement	-	-	-	-	94,074	94,074
DEA task force	-	-	-	-	302,023	302,023
Drainage control	-	-	-	-	309,710	309,710
Education	-	4,659	-	-	585,073	589,732
Stabilization reserve trust	-	110,605	-	-	-	110,605
<b>Total restricted fund balance</b>	<b>-</b>	<b>115,264</b>	<b>-</b>	<b>-</b>	<b>2,145,214</b>	<b>2,260,478</b>
<b>Committed for:</b>						
Financial stabilization	3,858,497	-	-	-	-	3,858,497
Emergency	1,000,000	-	-	-	-	1,000,000
Library construction	434,135	-	-	-	-	434,135
<b>Total committed fund balance</b>	<b>5,292,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,292,632</b>
<b>Assigned to:</b>						
School Capital improvements	-	-	-	3,863,868	-	3,863,868
Education	-	6,033,068	-	-	-	6,033,068
<b>Total assigned fund balance</b>	<b>-</b>	<b>6,033,068</b>	<b>-</b>	<b>3,863,868</b>	<b>-</b>	<b>9,896,936</b>
<b>Unassigned</b>						
<b>Total fund balances</b>	<b>5,787,193</b>	<b>-</b>	<b>(328,441)</b>	<b>-</b>	<b>-</b>	<b>5,458,752</b>
	<b>\$ 11,367,584</b>	<b>\$ 6,204,387</b>	<b>\$ (328,441)</b>	<b>\$ 3,863,868</b>	<b>\$ 2,194,915</b>	<b>\$ 23,302,313</b>

## **NOTE 9 – PENSIONS**

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The City and School 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. **Political Subdivision Pension Plan (“School BOE”)** – Certain administrative employees of the Millington Municipal Schools are included in this plan. This is an agent multiple-employer pension plan.
- III. **Teacher Legacy Pension Plan (“Teacher Legacy”)** – Teachers of Millington Municipal Schools 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. **Teacher Retirement Plan (“Teacher Hybrid”)** – Teachers of Millington Municipal Schools 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 publicly available financial report that can be obtained at [www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies). 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 and deferred inflows of resources related to pensions, and pension expense reported on the statement of net position are summarized as follows:

	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
<b>Governmental Activities</b>				
City Plan	\$ 1,247,796	\$ 1,021,512	\$ 1,066,507	\$ 346,439
School BOE Plan	137,517	278,964	72,273	201,119
Teacher Legacy Plan	3,033,321	2,247,820	2,720,639	988,320
Teacher Retirement Plan	141,073	86,576	30,591	46,108
<b>Total governmental activities</b>	<b>\$ 4,559,707</b>	<b>\$ 3,634,872</b>	<b>\$ 3,890,010</b>	<b>\$ 1,581,986</b>
<b>Business-type Activities</b>				
City Plan	\$ 154,222	\$ 126,254	\$ 131,815	\$ 131,815
	<b>\$ 4,713,929</b>	<b>\$ 3,761,126</b>	<b>\$ 4,021,825</b>	<b>\$ 1,713,801</b>

## **NOTE 9 – PENSIONS (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, 2019, the following employees were covered by the benefit terms of the agent plans:

	<b>City Plan</b>	<b>School BOE</b>
Inactive employees or beneficiaries currently receiving benefits	100	9
Inactive employees entitled to but not yet receiving benefits	176	21
Active employees	141	86
	<b>417</b>	<b>116</b>

#### **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, 2020 were as follows:

	<b>City Plan</b>	<b>School BOE</b>	<b>Teacher Legacy</b>	<b>Teacher Hybrid</b>
Employer contributions	\$ 483,098	\$ 249,422	\$ 1,029,894	\$ 55,929
Covered-employee payroll	6,069,087	2,793,083	9,688,559	2,755,129
As a percentage of covered-employee payroll	7.96%	8.93%	10.63%	2.03%

## **NOTE 9 – PENSIONS (CONTINUED)**

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### **B. Assumptions**

The total pension liability as of June 30, 2019 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 8.72% to 3.44% 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, 2019 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 reflect more closely actual and expected future experience.

#### *Investment Policy*

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% 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.

## NOTE 9 – PENSIONS (CONTINUED)

### C. Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2019. 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	Teacher Legacy	Teacher Hybrid
Total Pension Liability				
Service cost	\$ 492,659	\$ 317,537		
Interest	1,815,264	120,557		
Differences between expected and actual experience	477,893	(32,402)		
Benefit payments, including refunds	(1,012,650)	(31,169)		
Net change in total pension liability	1,773,166	374,523		
Total pension liability - beginning	25,051,788	1,360,900		
Total pension liability - ending	\$ 26,824,954	\$ 1,735,423		
Plan Fiduciary Net Position				
Contributions - employer	\$ 536,897	\$ 242,442		
Contributions - employee	-	122,462		
Net investment income	1,973,023	118,495		
Benefit payments	(1,012,650)	(31,169)		
Administrative expense	(12,080)	(7,656)		
Net change in plan fiduciary net position	1,485,190	444,574		
Plan fiduciary net position - beginning	26,741,782	1,428,366		
Plan fiduciary net position - ending	\$ 28,226,972	\$ 1,872,940		
Net pension liability (asset)	\$ (1,402,018)	\$ (137,517)		
Proportionate share of net pension liability (asset)			\$ (3,033,321)	\$ (141,073)
Proportionate share at June 30, 2019 measurement date			0.295019%	0.249914%
Proportionate share at June 30, 2018 measurement date			0.293214%	0.254385%

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 asset of the City related to each plan calculated using the current discount rates as well as what the net pension asset or proportionate share of net pension 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 Plan	7.25%	\$ 2,128,690	\$ (1,402,018)	\$ (4,333,532)
School BOE Plan	7.25%	177,877	(137,517)	(389,697)
Proportionate share of the net pension liability (asset)				
Teacher Legacy Plan	7.25%	\$ 6,202,266	\$ (3,033,321)	\$ (10,379,975)
Teacher Hybrid Plan	7.25%	44,697	(141,073)	(278,392)

## **NOTE 9 – PENSIONS (CONTINUED)**

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

For the year ended June 30, 2020, 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	Teacher Legacy	Teacher Hybrid
Pension Expense (Negative Pension Expense)	<u>\$ 346,439</u>	<u>\$ 201,119</u>	<u>\$ 988,320</u>	<u>\$ 46,108</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 382,314	\$ 15,399	\$ 147,685	\$ 5,849
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	282,354	14,143	408,756	4,902
Change in proportion of net pension liability (asset)	-	-	661,485	19,896
Contributions subsequent to the measurement date of June 30, 2019	483,098	249,422	1,029,894	55,929
	<u>\$ 1,147,766</u>	<u>\$ 278,964</u>	<u>\$ 2,247,820</u>	<u>\$ 86,576</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 870,261	\$ 55,185	\$ 1,852,813	\$ 24,627
Net difference between projected and actual earnings on plan investments	328,061	17,088	866,679	5,964
Change in proportion of net pension liability (asset)	-	-	1,147	-
	<u>\$ 1,198,322</u>	<u>\$ 72,273</u>	<u>\$ 2,720,639</u>	<u>\$ 30,591</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2019,” 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:

Years Ending June 30,	City Plan	School BOE	Teacher Legacy	Teacher Hybrid
2021	\$ (294,864)	\$ (7,976)	\$ (35,407)	\$ (1,156)
2022	(228,087)	(11,999)	(800,131)	(2,068)
2023	(95,900)	(6,338)	(379,165)	(395)
2024	85,197	(3,906)	(288,010)	458
2025	-	(1,378)	-	701
Thereafter	-	(11,134)	-	2,516

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, 2020, the School reports payables to the City Plan, School BOE Plan, Teacher Legacy Plan, and Teacher Retirement Plan of \$36,273, \$426, \$69,160, and \$4,594, respectively, for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

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## **NOTE 10 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN**

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### **School 401(k) Plan**

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. For the year ended June 30, 2020, the School employer contributions to the Teacher Retirement Plan were \$46,471 of which \$11,371 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.

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

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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.

## **NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (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 healthcare and life insurance 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*

Plan membership as of June 30, 2020, the date of the both the City OPEB valuation and the date of the School OPEB valuation, consisted of the following:

	City OPEB Plan	School OPEB Plan
Inactive employees or beneficiaries currently receiving benefits	22	4
Active employees	87	210
	<u>109</u>	<u>214</u>

#### *Contributions*

For the year ended June 30, 2020, the City contributed an amount equal to the benefits paid. There are 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, 2020, the School contributed an amount equal to the benefits paid. No additional amounts were paid to the trust in fiscal year 2020.

### **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 total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the entry age normal level percent of pay actuarial cost method. Significant actuarial assumptions used in the valuation include:

Inflation rate	3.0%
Investment rate of return	n/a
Discount rate	2.21% including inflation
Healthcare cost trend rates	Level 4.50%
Mortality table	RP-2014 Total Table with Projection MP-2019

#### *Changes of Assumptions*

In 2020, the following City OPEB assumptions changed: a decrease in the discount rate from 3.88% to 2.21%; a decrease in the healthcare cost trend rate from 5.50% to 4.50%; and changes to mortality tables.

#### *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 2.21%.

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

### **School Administered OPEB Plan**

The OPEB liability for the current year was determined by an actuarial valuation as of June 30, 2019, using the following assumptions and the entry age normal level percent of pay actuarial cost method:

Inflation rate	3.0%
Investment rate of return	6.0%
Discount rate	3.51% including inflation
Healthcare cost trend rates	8% decreasing to an ultimate 4.5%, 4 year grading
Mortality table	Combination of SOA Pub-2010 Teacher, General, and Continues Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019

### **Changes of Assumptions**

In 2020, the following School OPEB assumptions changed: a decrease in the investment rate of return from 7.50% to 6.00%; an increase in the discount rate from 3.51% to 6.00%; and a change in mortality tables.

### **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 regarding 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, 2020 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, 2020 is summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large equity	45.50%	7.50%
International equity	16.20%	6.70%
Emerging market equity	3.30%	8.30%
Fixed income	35.00%	3.50%
	<u>100.00%</u>	<u>6.00%</u>

### **Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.605%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### **Discount Rate**

The School's funding policy is to pay for the pay-go cost out of the General Purpose fund and partially fund the Actuarial Determined Contribution. The final equivalent discount rate based on the actuarial valuation is 6.00% based on the assumption that the trust is eventually expected to be sufficient to finance all future benefit payments.

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

### **C. Net OPEB Liability**

The components of each net OPEB liability at June 30, 2020, were as follows:

	City OPEB Plan	School OPEB Plan
<b>Total OPEB Liability</b>		
Service cost	\$ 151,349	\$ 159,307
Interest	204,407	111,848
Differences between expected and actual experience	-	(87,551)
Changes in assumptions	403,393	(760,303)
Changes in benefit terms	-	19,898
Benefit payments, including refunds	(111,621)	(89,404)
Net change in total OPEB liability	<u>647,528</u>	<u>(646,205)</u>
<b>Total OPEB liability - beginning</b>	<u>5,172,684</u>	<u>3,071,585</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 5,820,212</u></u>	<u><u>\$ 2,425,380</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ -	\$ 89,404
Net investment income	-	10,576
Benefit payments	-	(89,404)
Administrative expense	-	(1,241)
Net change in plan fiduciary net position	<u>-</u>	<u>9,335</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>294,008</u>
Plan fiduciary net position - ending	<u><u>\$ -</u></u>	<u><u>\$ 303,343</u></u>
<b>Net OPEB liability</b>	<u><u>\$ 5,820,212</u></u>	<u><u>\$ 2,122,037</u></u>

#### 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	2.21%	\$ 6,926,545	\$ 5,820,212	\$ 4,954,733
School Net OPEB liability	6.00%	2,384,217	2,122,037	1,894,698

#### 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	4.50%	\$ 5,448,932	\$ 5,820,212	\$ 6,302,847
School Net OPEB liability	8% to 4.5%	\$ 1,958,959	\$ 2,122,037	\$ 2,308,817

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

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

For the year ended June 30, 2020, the City reported OPEB expense, deferred outflows of resources, and deferred inflows of resources related to each OPEB plan from the following sources:

	City OPEB Plan	School OPEB Plan	Total
OPEB (negative) expense	\$ 409,327	\$ 112,586	\$ 521,913
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on plan investments	\$ -	\$ 10,980	\$ 10,980
Changes in assumptions	349,822	91,494	441,316
	<u>\$ 349,822</u>	<u>\$ 102,474</u>	<u>\$ 452,296</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 268,068	\$ 268,068
Changes in assumptions	-	887,730	887,730
	<u>\$ -</u>	<u>\$ 1,155,798</u>	<u>\$ 1,155,798</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:

	City OPEB Plan	School OPEB Plan	Total
2021	\$ 53,571	\$ (157,703)	\$ (104,132)
2022	53,571	(157,703)	(104,132)
2023	53,571	(157,015)	(103,444)
2024	53,571	(158,087)	(104,516)
2025	53,571	(160,114)	(106,543)
Thereafter	81,967	(262,702)	(180,735)

## **NOTE 12 - COMMITMENTS AND CONTINGENCIES**

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### **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 \$126,827 for the year ended June 30, 2020.

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.

### **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**

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### **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 Public Entity Partners Risk Management Pool (the "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 Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the 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 Pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the Pool. The 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 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.

**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\*

**SCHEDULE OF CHANGES IN NET PENSION OBLIGATION AND RELATED RATIOS - Employee Pension Plan**

**Plan 80330**

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 492,659	\$ 478,485	\$ 442,221	\$ 523,831	\$ 500,187	\$ 514,637
Interest	1,815,264	1,769,298	1,720,301	1,724,244	1,646,311	1,544,121
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	477,893	(643,875)	(494,980)	(1,279,849)	(179,845)	267,551
Changes of assumptions	-	-	705,882	-	-	-
Benefit payments	(1,012,650)	(955,479)	(930,383)	(947,999)	(954,367)	(944,283)
Net change in total pension liability	1,773,166	648,429	1,443,041	20,227	1,012,286	1,382,026
Total pension liability - beginning	25,051,788	24,403,359	22,960,318	22,940,091	21,927,805	20,545,779
Total pension liability - ending	26,824,954	25,051,788	24,403,359	22,960,318	22,940,091	21,927,805
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	536,897	519,745	524,639	469,835	530,147	511,544
Net investment income	1,973,023	2,066,784	2,578,365	599,629	689,233	3,238,712
Benefit payments	(1,012,650)	(955,479)	(930,383)	(947,999)	(954,367)	(944,283)
Administrative expense	(12,080)	(12,752)	(11,543)	(10,396)	(8,324)	(7,143)
Other	-	-	-	1,777	-	-
Net change in plan fiduciary net position	1,485,190	1,618,298	2,161,078	112,846	256,689	2,798,830
Plan fiduciary net position - beginning	26,741,782	25,123,484	22,962,406	22,849,560	22,592,871	19,794,041
Plan fiduciary net position - ending	\$ 28,226,972	\$ 26,741,782	\$ 25,123,484	\$ 22,962,406	\$ 22,849,560	\$ 22,592,871
<b>Net pension liability (asset)</b>	<b>\$ (1,402,018)</b>	<b>\$ (1,689,994)</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>	105.23%	106.75%	102.95%	100.01%	99.61%	103.03%
<b>Covered-employee payroll</b>	\$ 6,012,280	\$ 5,820,211	\$ 5,640,909	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	-23.32%	-29.04%	-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\*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 483,098	\$ 536,897	\$ 519,745	\$ 503,733	\$ 469,835	\$ 530,147	\$ 511,544
Contributions	<u>483,098</u>	<u>536,897</u>	<u>519,745</u>	<u>524,639</u>	<u>469,835</u>	<u>530,147</u>	<u>511,544</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,069,087	\$ 6,012,280	\$ 5,820,211	\$ 5,640,909	\$ 5,771,931	\$ 6,512,864	\$ 6,346,701
Contributions as a percentage of covered payroll	7.96%	8.93%	8.93%	9.30%	8.14%	8.14%	8.06%

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 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	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, 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	2.25%

*Changes of assumptions:* In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

\*\*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 LEGACY PENSION PLAN OF TCRS**

Last Ten Fiscal Years June 30\*

	2019	2018	2017	2016	2015	2014
Proportion of the net pension (asset) liability	0.295019%	0.293214%	0.28614%	0.279607%	0.244172%	0.000664%
Proportionate share of the net pension (asset) liability	\$ (3,033,321)	\$ (1,031,795)	\$ (93,621)	\$ 1,747,388	\$ 100,021	\$ (108)
Covered-employee payroll	\$ 9,892,398	\$ 10,319,046	\$ 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-employee payroll	-30.66%	-10.00%	-0.93%	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension (asset) liability	104.28%	101.49%	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\*

	2020	2019	2018	2017	2016	2015	2014
Contractually required	\$ 1,029,894	\$ 1,034,744	\$ 936,967	\$ 914,386	\$ 912,429	\$ 826,309	\$ 2,314
Contribution in relation to the contractually required contribution	1,029,894	1,034,744	936,967	914,386	912,429	826,309	2,314
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,688,559	\$ 9,892,398	\$ 10,319,046	\$ 10,023,023	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered-employee payroll	10.63%	10.46%	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.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

**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\*

	2019	2018	2017	2016	2015
Proportion of the net pension (asset) liability	0.249914%	0.254385%	0.301476%	0.356813%	0.479760%
Proportionate share of the net pension (asset) liability	\$ (141,073)	\$ (115,371)	\$ (79,541)	\$ (37,145)	\$ (19,301)
Covered-employee payroll	\$ 2,644,660	\$ 2,171,160	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	-5.33%	-5.31%	-3.92%	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension (asset) liability	123.07%	126.97%	126.81%	121.88%	127.46%

\*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

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

	2020	2019	2018	2017	2016	2015
Contractually required	\$ 55,929	\$ 51,305	\$ 36,252	\$ 79,148	\$ 62,800	\$ 24,920
Contribution in relation to the contractually required contribution	55,929	51,305	88,921	79,148	62,800	39,872
Contribution deficiency (excess)	\$ -	\$ -	\$ (52,669)	\$ -	\$ -	\$ (14,952)
Covered-employee payroll	\$ 2,755,129	\$ 2,644,660	\$ 2,171,160	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Contributions as a percentage of covered-employee payroll	2.03%	1.94%	4.10%	3.90%	4.00%	4.00%

In 2020, the School placed the actuarially determined contribution rate (2.03%) of covered payroll into the pension plan and placed 1.97% of the covered payroll into the Pension Stabilization Reserve Trust. In 2019, the School placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06% of the covered payroll into the Pension Stabilization Reserve Trust.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

\*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\*

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 317,537	\$ 325,810	\$ 288,750	\$ 261,184	\$ 272,709
Interest	120,557	93,828	66,546	40,083	20,415
Changes in benefit terms			-	-	-
Differences between expected and actual experience	(32,402)	(23,654)	(1,225)	27,715	(17,138)
Changes of assumptions			21,214		
Benefit payments	(31,169)	(6,903)	(3,992)	(3,437)	(1,005)
Net change in total pension liability	374,523	389,081	371,293	325,545	274,981
Total pension liability - beginning	1,360,900	971,819	600,526	274,981	-
Total pension liability - ending	1,735,423	1,360,900	971,819	600,526	274,981
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	242,442	245,496	230,248	196,318	182,233
Contributions - employee	122,462	118,524	110,269	101,788	90,476
Net investment income	118,495	96,097	83,446	11,056	4,119
Benefit payments	(31,169)	(6,903)	(3,992)	(3,437)	(1,005)
Administrative expense	(7,656)	(8,022)	(7,519)	(6,604)	(4,222)
Net change in plan fiduciary net position	444,574	445,192	412,452	299,121	271,601
Plan fiduciary net position - beginning	1,428,366	983,174	570,722	271,601	-
Plan fiduciary net position - ending	1,872,940	1,428,366	983,174	570,722	271,601
<b>Net pension liability (asset)</b>	<b>\$ (137,517)</b>	<b>\$ (67,466)</b>	<b>\$ (11,355)</b>	<b>\$ 29,804</b>	<b>\$ 3,380</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>107.92%</b>	<b>104.96%</b>	<b>101.17%</b>	<b>95.04%</b>	<b>98.77%</b>
<b>Covered-employee payroll</b>	<b>\$ 2,714,914</b>	<b>\$ 2,749,113</b>	<b>\$ 2,581,127</b>	<b>\$ 2,411,773</b>	<b>\$ 2,238,733</b>
<b>School's net pension liability as a percentage of covered-employee payroll</b>	<b>-5.07%</b>	<b>-2.45%</b>	<b>-0.44%</b>	<b>1.24%</b>	<b>0.15%</b>

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.

\* 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\*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 249,422	\$ 218,007	\$ 225,977	\$ 204,941	\$ 196,318	\$ 182,233
Contributions	249,422	242,442	245,496	230,248	196,318	182,233
Contribution deficiency (excess)	\$ -	\$ (24,435)	\$ (19,519)	\$ (25,307)	\$ -	\$ -
Covered-employee payroll	\$ 2,793,083	\$ 2,714,914	\$ 2,749,113	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.92%	8.14%	8.14%

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 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	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Investment rate of return	7.25%, 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	2.30%

Change in assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% percent to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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

	2020	2019	2018
<b>Total OPEB liability:</b>			
Service cost	\$ 151,349	\$ 151,349	\$ 145,696
Interest	204,407	194,938	185,472
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Changes of assumptions	403,393	-	-
Benefit payments	(111,621)	(92,861)	(92,861)
Net change in total OPEB liability (asset)	647,528	253,426	238,307
Total OPEB liability-beginning	5,172,684	4,919,258	4,680,951
Total OPEB liability-ending	<u>5,820,212</u>	<u>5,172,684</u>	<u>4,919,258</u>
<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	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net OPEB liability-ending</b>	<u><b>\$ 5,820,212</b></u>	<u><b>\$ 5,172,684</b></u>	<u><b>\$ 4,919,258</b></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 5,644,448	\$ 5,066,363	\$ 5,066,363
<b>Net OPEB liability as a percentage of covered payroll</b>	103.11%	102.10%	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\*

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	2020	2019	2018	2017
<b>Total OPEB liability:</b>				
Service cost	\$ 159,307	\$ 150,484	\$ 249,605	\$ 265,891
Interest	111,848	115,539	123,180	113,972
Changes in benefit terms	19,898	-	(1,147,418)	-
Differences between actual and expected experience	(87,551)	(118,355)	(154,038)	-
Changes of assumptions	(760,303)	121,992	(306,633)	-
Benefit payments	(89,404)	(65,591)	(62,072)	(10,042)
Net change in total OPEB liability (asset)	(646,205)	204,069	(1,297,376)	369,821
Total OPEB liability-beginning	3,071,585	2,867,516	4,164,892	3,795,071
Total OPEB liability-ending	2,425,380	3,071,585	2,867,516	4,164,892
<b>Plan fiduciary net position:</b>				
Contributions-employer	89,404	65,591	62,072	209,913
Net investment income	10,576	15,581	22,817	10,242
Benefit payments	(89,404)	(65,591)	(62,072)	(10,042)
Administrative expense	(1,241)	(1,198)	(3,305)	-
Net change in plan fiduciary net position	9,335	14,383	19,512	210,113
Plan fiduciary net position-beginning	294,008	279,625	260,113	50,000
Plan fiduciary net position-ending	303,343	294,008	279,625	260,113
<b>Net OPEB liability-ending</b>	<b>\$ 2,122,037</b>	<b>\$ 2,777,577</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>	12.51%	9.57%	9.75%	6.25%
<b>Covered payroll</b>	\$ 10,608,849	\$ 12,169,851	\$ 11,815,389	\$ 9,530,500
<b>Net OPEB liability as a percentage of covered payroll</b>	20.00%	22.82%	21.90%	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\*

	2020	2019	2018	2017
Actuarially determined contribution	\$ 239,821	\$ 231,182	\$ 598,948	\$ 374,078
Contributions in relation to the actuarially determined contribution	89,404	65,591	62,072	209,913
Contribution deficiency (excess)	<u>\$ 150,417</u>	<u>\$ 165,591</u>	<u>\$ 536,876</u>	<u>\$ 164,165</u>
Covered payroll	\$ 10,608,849	\$ 12,169,851	\$ 11,815,389	\$ 9,530,500
Contributions as a percentage of covered payroll	0.84%	0.54%	0.53%	2.20%

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for 2020 were calculated based on the July 1, 2019 actuarial valuation.

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

Actuarial cost method	Entry age level of percentage of salary
Amortization method	Level Dollar
Amortization period	30 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8% decreasing 1% in the next year to an ultimate 4.5%
Salary increases	Salary increases determined by 2019 TCRS Teacher Salary Growth Table
Investment rate of return	6.00%
Discount rate	6.00%
Retirement age	Pattern of retirement determined by experience study
Mortality	SOA Pub 2019 Teachers, General, & Continuing Survivor

Change in assumptions: In 2020, the following assumptions were changed: decreased healthcare cost trend rates from 8.00% to 7.50%; decreased the investment rate of return from 7.50% to 6.00%; increased the discount rate from 3.51% to 6.00%; and changed salary increase from a 3% annually to a tiered system starting at 7.50% and decrease to 3.7% based on age.

\* 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 INVESTMENT RETURNS**  
**MMS OPEB**  
Last Ten Fiscal Years June 30\*

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	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	3.61%	4.39%	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, 2020

	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	\$ 73,370	\$ 768,898	\$ 100,593	\$ 303,000	\$ 209,661	\$ 591	\$ 515,259	\$ 1,971,372
Receivables								
Fines and fees	-	195,664	-	-	61,572	-	-	257,236
Less allowance for doubtful accounts	-	(84,454)	-	-	(30,809)	-	-	(115,263)
Due from other governments	69,301	12,136	-	-	3,879	318,590	93,132	497,038
Due from other funds	-	-	-	-	90,326	-	-	90,326
Inventory	-	-	-	-	-	-	25,733	25,733
Prepaid Items	-	22,101	-	-	1,867	-	-	23,968
Total assets	<u>\$ 142,671</u>	<u>\$ 914,345</u>	<u>\$ 100,593</u>	<u>\$ 303,000</u>	<u>\$ 336,496</u>	<u>\$ 319,181</u>	<u>\$ 634,124</u>	<u>\$ 2,750,410</u>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 27,845	\$ 32,224	\$ 6,519	\$ 783	\$ 3,155	\$ 106,440	\$ 20,187	\$ 197,153
Due to other funds	5,814	114,698	-	194	21,764	212,150	-	354,620
Total liabilities	<u>33,659</u>	<u>146,922</u>	<u>6,519</u>	<u>977</u>	<u>24,919</u>	<u>318,590</u>	<u>20,187</u>	<u>551,773</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue								
Other	-	-	-	-	-	591	3,131	3,722
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591</u>	<u>3,131</u>	<u>3,722</u>
<b>FUND BALANCES</b>								
Nonspendable	-	22,101	-	-	1,867	-	25,733	49,701
Restricted	109,012	745,322	94,074	302,023	309,710	-	585,073	2,145,214
Total fund balances	<u>109,012</u>	<u>767,423</u>	<u>94,074</u>	<u>302,023</u>	<u>311,577</u>	<u>-</u>	<u>610,806</u>	<u>2,194,915</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 142,671</u>	<u>\$ 914,345</u>	<u>\$ 100,593</u>	<u>\$ 303,000</u>	<u>\$ 336,496</u>	<u>\$ 319,181</u>	<u>\$ 634,124</u>	<u>\$ 2,750,410</u>

**CITY OF MILLINGTON, TENNESSEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	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 taxes	\$ 417,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,716
Charges for services	-	868,381	-	-	401,755	-	71,619	1,341,755
Fines, forfeitures, and penalties	-	-	1,352	-	-	-	-	1,352
Federal, state and other grants	-	-	-	111,418	-	1,829,946	1,654,545	3,595,909
Interest on investments	32	303	477	123	136	-	-	1,071
Other	-	-	-	-	-	-	2,710	2,710
Total revenues	417,748	868,684	1,829	111,541	401,891	1,829,946	1,728,874	5,360,513
<b>EXPENDITURES</b>								
Current								
Public safety	-	-	9,187	31,347	-	-	-	40,534
Transportation and environment	435,157	674,004	-	-	342,874	-	-	1,452,035
Education	-	-	-	-	-	1,773,053	1,674,567	3,447,620
Total expenditures	435,157	674,004	9,187	31,347	342,874	1,773,053	1,674,567	4,940,189
Excess (deficiency) of revenues over (under) expenditures	(17,409)	194,680	(7,358)	80,194	59,017	56,893	54,307	420,324
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out	-	-	-	-	-	(56,893)	-	(56,893)
Net change in fund balances	(17,409)	194,680	(7,358)	80,194	59,017	-	54,307	363,431
Fund balances - beginning	126,421	572,743	101,432	221,829	252,560	-	556,499	1,831,484
Fund balances - ending	\$ 109,012	\$ 767,423	\$ 94,074	\$ 302,023	\$ 311,577	\$ -	\$ 610,806	\$ 2,194,915

**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, 2020

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Intergovernmental - state gas tax				
Gas motor fuel	\$ 215,500	\$ 215,500	\$ 202,595	\$ (12,905)
Gas 1989	34,500	34,500	32,032	(2,468)
Gas 3 cent	64,000	64,000	59,354	(4,646)
Gas 2017	86,000	86,000	101,635	15,635
Petroleum special	22,100	22,100	22,100	-
Interest on investments	20	20	32	12
Total revenues	<u>422,120</u>	<u>422,120</u>	<u>417,748</u>	<u>(4,372)</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	1,000	1,000	-	1,000
Materials and supplies	363,600	325,600	128,017	197,583
Other charges	281,100	281,100	269,140	11,960
Capital outlay	-	38,000	38,000	-
Total expenditures	<u>645,700</u>	<u>645,700</u>	<u>435,157</u>	<u>210,543</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(223,580)	(223,580)	(17,409)	206,171
<b>OTHER FINANCING SOURCES</b>				
Transfers in	191,793	191,793	-	(191,793)
Planned use of fund balance	31,787	31,787	-	(31,787)
<b>Total Other Financing Sources (Uses)</b>	<u>223,580</u>	<u>223,580</u>	<u>-</u>	<u>(223,580)</u>
Net change in fund balances	\$ -	\$ -	(17,409)	\$ (17,409)
Fund balances - beginning			<u>126,421</u>	
Fund balances - ending			<u>\$ 109,012</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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for Services				
Sanitation fees	\$ 858,000	\$ 858,000	\$ 868,381	\$ 10,381
Interest on investments	200	200	303	103
<b>Total revenues</b>	<b>858,200</b>	<b>858,200</b>	<b>868,684</b>	<b>10,484</b>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	558,969	568,873	520,116	48,757
Contractual services	27,050	30,810	30,809	1
Materials and supplies	150,510	145,907	78,435	67,472
Other charges	120,671	85,180	17,431	67,749
Capital outlay	1,000	27,430	27,213	217
<b>Total expenditures</b>	<b>858,200</b>	<b>858,200</b>	<b>674,004</b>	<b>184,196</b>
Net change in fund balances	\$ -	\$ -	194,680	\$ 194,680
Fund balances - beginning			572,743	
Fund balances - ending			<b>\$ 767,423</b>	

**CITY OF MILLINGTON, TENNESSEE**

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

For the Year Ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ 1,352	\$ 1,352
Interest on investments	<u>-</u>	<u>-</u>	<u>477</u>	<u>477</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,829</u>	<u>1,829</u>
<b>EXPENDITURES:</b>				
Public Safety				
Contractual services	1,820	1,820	1,820	-
Materials and supplies	8,000	8,000	175	7,825
Other charges	6,150	6,150	1,220	4,930
Capital outlay	7,500	7,500	5,972	1,528
<b>Total expenditures</b>	<u>23,470</u>	<u>23,470</u>	<u>9,187</u>	<u>14,283</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(23,470)	(23,470)	(7,358)	16,112
<b>OTHER FINANCING SOURCES</b>				
Planned use of fund balance	<u>23,470</u>	<u>23,470</u>	<u>-</u>	<u>(23,470)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(7,358)</u>	<u>\$ (7,358)</u>
Fund balances - beginning			<u>101,432</u>	
Fund balances - ending			<u>\$ 94,074</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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal, state and other grants	\$ 10,000	\$ 10,000	\$ 111,418	\$ 101,418
Interest on investments	20	20	123	103
<b>Total revenues</b>	<b>10,020</b>	<b>10,020</b>	<b>111,541</b>	<b>101,521</b>
<b>EXPENDITURES:</b>				
Public Safety				
Contractual services	1,820	1,820	1,820	-
Materials and supplies	13,300	36,800	12,883	23,917
Other charges	6,000	6,000	1,337	4,663
Capital outlay	39,000	15,500	15,307	193
<b>Total expenditures</b>	<b>60,120</b>	<b>60,120</b>	<b>31,347</b>	<b>28,773</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(50,100)</b>	<b>(50,100)</b>	<b>80,194</b>	<b>130,294</b>
<b>OTHER FINANCING SOURCES</b>				
Planned use of fund balance	50,100	50,100	-	(50,100)
Net change in fund balances	\$ -	\$ -	80,194	\$ 80,194
Fund balances - beginning			221,829	
Fund balances - ending			<b>\$ 302,023</b>	

**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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for Services				
Storm water control fees	\$ 393,000	\$ 393,000	\$ 401,755	\$ 8,755
Interest on investments	50	50	136	86
Total revenues	<u>393,050</u>	<u>393,050</u>	<u>401,891</u>	<u>8,841</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works				
Personnel costs	226,350	226,350	226,350	-
Contractual services	42,050	48,450	43,026	5,424
Materials and supplies	74,300	34,733	19,869	14,864
Other charges	<u>50,350</u>	<u>83,517</u>	<u>53,629</u>	<u>29,888</u>
Total expenditures	<u>393,050</u>	<u>393,050</u>	<u>342,874</u>	<u>50,176</u>
Net change in fund balances	\$ -	\$ -	59,017	<u>\$ 59,017</u>
Fund balances - beginning			252,560	
Fund balances - ending			<u>\$ 311,577</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, 2020

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	
	<b>Actual Amounts</b>		
<b>REVENUES</b>			
Federal, state and other grants	\$ 1,897,932	\$ 2,215,119	\$ 1,829,946
			\$ (385,173)
<b>EXPENDITURES</b>			
<b>EDUCATION</b>			
Instruction			
Title I:			
Personnel costs	467,420	342,995	272,748
Contractual services	61,489	104,042	73,363
Materials and supplies	5,200	60,096	5,703
Equipment	-	20,135	20,135
Total Title I:	534,109	527,268	371,949
			155,319
Title III:			
Contractual services	-	2,500	2,500
Materials and supplies	6,507	7,214	6,975
Total Title III:	6,507	9,714	9,475
			239
Title IV:			
Contractual services	9,000	-	-
Materials and supplies	2,092	3,600	3,057
Total Title IV:	11,092	3,600	3,057
			543
IDEA special education:			
Personnel costs	585,910	590,438	579,677
Contractual services	18,892	23,892	18,075
Materials and supplies	2,000	7,464	6,950
Equipment	1,000	4,994	1,499
Total IDEA special education:	607,802	626,788	606,201
			20,587
IDEA discretionary:			
Contractual services	-	8,000	5,328
Total IDEA discretionary:	-	8,000	5,328
			2,672
IDEA preschool:			
Contractual services	4,000	3,000	-
Materials and supplies	2,000	500	494
Equipment	-	6,499	5,902
Total IDEA preschool:	6,000	9,999	6,396
			3,603
IDEA equipment:			
Contractual services	-	5,510	1,795
Total IDEA equipment:	-	5,510	1,795
			3,715
CTE Perkins Basic			
Contractual services	-	-	-
Materials and supplies	11,000	10,551	10,256
Other charges	-	-	-
Equipment	20,000	33,796	24,270
Total CTE Perkins Basic:	31,000	44,347	34,526
			9,821
Total instructional:	1,196,510	1,235,226	1,038,727
			196,499

(CONTINUED ON NEXT PAGE)

**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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Support services				
Title I:				
Personnel costs	\$ 384,331	\$ 529,560	\$ 493,240	\$ 36,320
Materials and supplies	8,660	10,560	7,848	2,712
Other charges	6,000	31,341	6,647	24,694
Total Title I:	398,991	571,461	507,735	63,726
Title II:				
Personnel costs	72,340	75,942	63,861	12,081
Contractual services	1,389	6,942	2,639	4,303
Other charges	9,569	75,638	38,431	37,207
Total Title II:	83,298	158,522	104,931	53,591
Title III:				
Other charges	-	1,000	254	746
Title IV:				
Contractual services	6,000	18,952	4,153	14,799
Other charges	15,000	20,970	2,215	18,755
Total Title IV:	21,000	39,922	6,368	33,554
IDEA special education:				
Contractual services	3,320	13,660	8,535	5,125
Materials and supplies	2,002	2,002	301	1,701
Other charges	3,000	5,000	806	4,194
Total IDEA special education:	8,322	20,662	9,642	11,020
Consolidated administration:				
Personnel costs	18,684	22,319	17,729	4,590
Materials and supplies	751	-	-	-
Total consolidated administration:	19,435	22,319	17,729	4,590
CTE Perkins Basic:				
Contractual services	-	2,080	-	2,080
Other charges	13,247	2,273	2,256	17
Total CTE Perkins Basic:	13,247	4,353	2,256	2,097
IDEA discretionary SWD:				
Personnel costs	67,178	68,946	61,862	7,084
Materials and supplies	6,493	273	-	273
Total IDEA discretionary SWD:	73,671	69,219	61,862	7,357
IDEA discretionary supplement:				
Materials and supplies	2,320	2,326	2,321	5
Other charges	6,000	6,000	5,755	245
Total IDEA discretionary supplement:	8,320	8,326	8,076	250
Total support services:	626,284	895,784	718,853	176,931

**(CONTINUED ON NEXT PAGE)**

**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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Non-instructional				
IDEA pre-k:				
Contractual services	\$ -	\$ 304	\$ -	\$ 304
Other charges	3,253	3,253	1,194	2,059
Total IDEA pre-k:	3,253	3,557	1,194	2,363
CTE Perkins Basic:				
Other charges	2,000	2,613	2,613	-
IDEA special education:				
Personnel costs	3,000	6,000	4,849	1,151
Pre-school development:				
Personnel costs	-	2,021	2,018	3
Other charges	-	4,800	4,800	-
Total pre-school development:	-	6,821	6,818	3
Total non-instructional:	8,253	18,991	15,474	3,517
Total expenditures:	1,831,047	2,150,001	1,773,054	376,947
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	66,885	65,118	56,892	(8,226)
<b>OTHER FINANCING USES</b>				
Transfers out	(66,885)	(65,118)	(56,892)	8,226
Net change in fund balances	\$ -	\$ -	-	\$ -
Fund balances - beginning				-
Fund balances - ending			\$ -	

**CITY OF MILLINGTON, TENNESSEE**

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

For the Year Ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services				
Cafeteria fees	\$ 85,204	\$ 85,204	\$ 71,619	\$ (13,585)
Federal, state and other grants	1,492,203	1,557,553	1,654,545	96,992
Other income	1,150	1,150	2,710	1,560
Total revenues	<u>1,578,557</u>	<u>1,643,907</u>	<u>1,728,874</u>	<u>84,967</u>
<b>EXPENDITURES</b>				
<b>EDUCATION</b>				
Cafeteria				
Personnel costs	707,574	765,510	763,257	2,253
Contractual services	10,400	10,400	9,300	1,100
Materials and supplies	709,580	799,240	734,553	64,687
Other charges	15,700	27,999	18,937	9,062
USDA commodities	111,303	111,303	111,303	-
Capital outlays	24,000	100,632	37,217	63,415
Total expenditures	<u>1,578,557</u>	<u>1,815,084</u>	<u>1,674,567</u>	<u>140,517</u>
Net change in fund balances	\$ -	\$ (171,177)	54,307	\$ 225,484
Fund balances - beginning				556,499
Fund balances - ending				<u>\$ 610,806</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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal, state, and other grants	\$ 13,540,652	13,540,652	\$ 2,474,777	\$ (11,065,875)
Interest on investments	-	-	399	399
Total revenues	13,540,652	13,540,652	2,475,176	(11,065,476)
<b>EXPENDITURES</b>				
<b>CAPITAL OUTLAY</b>				
Architectural and engineering	1,185,584	1,185,584	133,752	1,051,832
Construction contracts	19,047,037	19,058,122	5,028,230	14,029,892
Equipment	313,979	302,894	175,440	127,454
Total expenditures	20,546,600	20,546,600	5,337,422	15,209,178
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>				
	(7,005,948)	(7,005,948)	(2,862,246)	4,143,702
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	4,837,579	4,837,579	-	(4,837,579)
Transfers in	746,360	746,360	746,360	-
Transfers out	-	-	-	-
Planned use of fund balance	1,422,009	1,422,009	-	(1,422,009)
<b>Total Other Financing Sources</b>	<b>7,005,948</b>	<b>7,005,948</b>	<b>746,360</b>	<b>(6,259,588)</b>
Net change in fund balances	\$ -	\$ -	(2,115,886)	\$ (2,115,886)
Fund balances - beginning			1,787,445	
Fund balances - ending			\$ (328,441)	

**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, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental				
Shelby County Government	\$ 500,000	\$ 1,258,593	\$ 1,996,128	\$ 737,535
Donations	-	5,000	5,000	-
Total revenues	500,000	1,263,593	2,001,128	737,535
<b>EXPENDITURES</b>				
<b>CAPITAL OUTLAY</b>				
Building construction	-	317,445	213,200	104,245
Other capital outlay no location	1,543,598	2,053,997	1,389,386	664,611
Total expenditures	1,543,598	2,371,442	1,602,586	768,856
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>				
	(1,043,598)	(1,107,849)	398,542	1,506,391
<b>OTHER FINANCING SOURCES</b>				
Planned use of fund balance	1,043,598	1,107,849	-	(1,107,849)
<b>Total Other Financing Sources</b>	<b>1,043,598</b>	<b>1,107,849</b>	<b>-</b>	<b>(1,107,849)</b>
Net change in fund balances	\$ -	\$ -	398,542	\$ 398,542
Fund balances - beginning			3,465,326	
Fund balances - ending			\$ 3,863,868	

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITY FUNDS**  
For the Year Ended June 30, 2020

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Assets</b>				
Cash	\$ 361,401	\$ 466,245	\$ (412,595)	\$ 415,051
Inventory	3,368		(438)	2,930
	<b><u>\$ 364,769</u></b>	<b><u>\$ 466,245</u></b>	<b><u>\$ (413,033)</u></b>	<b><u>\$ 417,981</u></b>
<b>Liabilities</b>				
Due to student general fund	\$ 193,034	\$ 100,721	\$ (79,282)	\$ 214,473
Due to student groups	171,735	365,524	(333,751)	203,508
	<b><u>\$ 364,769</u></b>	<b><u>\$ 466,245</u></b>	<b><u>\$ (413,033)</u></b>	<b><u>\$ 417,981</u></b>

## **SUPPORTING SCHEDULES**

**CITY OF MILLINGTON, TENNESSEE****SCHEDULE OF TRANSFERS**

For the Year Ended June 30, 2020

---

	<u>Transfers In:</u>	<u>Transfers Out:</u>
<b>Major Funds</b>		
General Fund		
Capital Projects Fund	\$           -	\$ 746,360
General Purpose School Fund	-	730,219
	<hr/>	<hr/>
	-	1,476,579
General Purpose School Fund		
General Fund	730,219	-
Federal Projects Fund	56,893	-
	<hr/>	<hr/>
	787,112	-
Capital Projects Fund		
General Fund	746,360	-
	<hr/>	<hr/>
Total major funds	1,533,472	1,476,579
<b>Nonmajor Governmental Funds</b>		
Federal Projects Fund		
General Purpose School Fund	<hr/>	<hr/>
	-	56,893
	<hr/>	<hr/>
	\$ 1,533,472	\$ 1,533,472
	<hr/>	<hr/>

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES**  
June 30, 2020

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Major Funds</b>		
General Fund		
Capital Projects Fund	-	12,313
Water Fund	6,163	-
Sewer Fund	-	67,404
State Street Aid Fund	5,814	-
Sanitation Fund	15,889	-
Drug Fund	18,862	-
DEA Drug Fund	194	-
	<u>46,922</u>	<u>79,717</u>
Capital Projects Fund		
General Fund	12,313	-
General Purpose School Fund		
General Fund	212,150	-
Water Fund		
General Fund	-	6,163
Sewer Fund	-	19,633
Stormwater	1,511	-
Sanitation Fund	3,049	-
	<u>4,560</u>	<u>25,796</u>
Sewer Fund		
Water Fund	19,633	-
Sanitation Fund	5,434	-
Stormwater	1,391	-
General Fund	67,404	-
	<u>93,862</u>	<u>-</u>
	<u>369,807</u>	<u>105,513</u>
<b>Nonmajor Governmental Funds</b>		
State Street Aid Fund		
General Fund	-	5,814
Sanitation Fund		
General Fund	-	15,889
Water Fund	-	3,049
Sewer Fund	-	5,434
Stormwater	-	90,326
	<u>-</u>	<u>114,698</u>
DEA Drug Fund		
General Fund	-	194
Stormwater Fund		
General Fund	-	18,862
Water Fund	-	1,511
Sewer Fund	-	1,391
Sanitation Fund	90,326	-
	<u>90,326</u>	<u>21,764</u>
School Federal Projects Fund		
General Purpose School Fund	-	212,150
Total nonmajor governmental funds	<u>90,326</u>	<u>354,620</u>
Total all funds	<u>460,133</u>	<u>460,133</u>

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

June 30, 2020

Fiscal Year	General Obligation Capital Outlay Note 2010		Tennessee Municipal League Note, Series 2011		Tennessee Municipal League Note, Series 2013		Tennessee Municipal League Note, Series 2015		Tennessee Municipal League Note, Series 2018		Shelby County, TN Settlement Liability		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 118,000	\$ 2,230	\$ 225,000	\$ 122,224	\$ 53,000	\$ 23,664	\$ 214,500	\$ 108,411	\$ 69,000	\$ 79,019	\$ 196,813	\$ 33,406	\$ 876,313	\$ 368,954
2022	-	-	184,000	114,821	55,000	22,127	391,000	99,268	72,000	76,086	202,023	28,196	904,023	340,498
2023	-	-	190,000	108,767	56,000	20,532	402,000	87,293	75,000	73,028	207,371	22,848	930,371	312,469
2024	-	-	196,000	102,516	58,000	18,908	440,000	74,579	78,000	69,846	212,861	17,358	984,861	283,208
2025	-	-	202,000	96,068	59,000	17,226	457,800	61,022	81,000	66,539	218,497	11,722	1,018,297	252,578
2026	-	-	209,000	89,422	61,000	15,515	469,500	47,020	84,000	63,107	224,468	5,751	1,047,968	220,815
2027	-	-	216,000	82,546	62,000	13,746	336,000	34,857	88,000	59,530	-	-	702,000	190,679
2028	-	-	223,000	75,440	64,000	11,948	324,000	24,891	91,000	55,806	-	-	702,000	168,086
2029	-	-	230,000	68,103	66,000	10,092	312,000	15,288	95,000	51,938	-	-	703,000	145,420
2030	-	-	238,000	60,536	68,000	8,178	300,000	6,046	99,000	47,902	-	-	705,000	122,663
2031	-	-	246,000	52,706	70,000	6,206	50,209	758	103,000	43,701	-	-	469,209	103,371
2032	-	-	254,000	44,612	71,000	4,176	-	-	108,000	39,312	-	-	433,000	88,100
2033	-	-	262,000	36,256	73,000	2,117	-	-	112,000	34,736	-	-	447,000	73,109
2034	-	-	271,000	27,636	-	-	-	-	117,000	29,973	-	-	388,000	57,609
2035	-	-	280,000	18,720	-	-	-	-	122,000	25,002	-	-	402,000	43,722
2036	-	-	289,000	9,508	-	-	-	-	127,000	19,822	-	-	416,000	29,330
2037	-	-	-	-	-	-	-	-	132,000	14,435	-	-	132,000	14,435
2038	-	-	-	-	-	-	-	-	138,000	8,819	-	-	138,000	8,819
2039	-	-	-	-	-	-	-	-	143,000	2,974	-	-	143,000	2,974
2040	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 118,000</u>	<u>\$ 2,230</u>	<u>\$ 3,715,000</u>	<u>\$ 1,109,881</u>	<u>\$ 816,000</u>	<u>\$ 174,435</u>	<u>\$ 3,697,009</u>	<u>\$ 559,434</u>	<u>\$ 1,934,000</u>	<u>\$ 861,577</u>	<u>\$ 1,262,033</u>	<u>\$ 119,281</u>	<u>\$ 11,542,042</u>	<u>\$ 2,826,838</u>

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

June 30, 2020

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Fiscal Year	State Revolving Loan Fund	
	Principal	Interest
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	1,308
	<b><u>\$ 2,171,494</u></b>	<b><u>\$ 236,712</u></b>

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
For the Year Ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding as of 6/30/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding as of 6/30/2020
<b>GOVERNMENTAL ACTIVITIES</b>									
<b>Notes Payable</b>									
<u>Payable through General Fund</u>									
Capital Outlay Note, Series 2010	\$ 1,000,000	3.78%	10/20/2010	10/1/2020	\$ 231,000	\$ -	\$ (113,000)	\$ -	\$ 118,000
TN Municipal League Note, Series 2011	5,000,000	3.29%	6/1/2011	6/1/2036	3,933,000	-	(218,000)	-	3,715,000
TN Municipal League Note, Series 2013	1,150,000	2.90%	5/29/2013	5/1/1933	868,000	-	(52,000)	-	816,000
TN Municipal League Note, Series 2015	6,000,000	3.02%	9/29/2015	9/1/2035	3,906,009	-	(209,000)	-	3,697,009
					8,938,009	-	(592,000)	-	8,346,009
<u>Payable through General Purpose School Fund</u>									
TN Municipal League Note, Series 2018	2,000,000	4.16%	11/21/2018	9/1/2035	2,000,000	-	(66,000)	-	1,934,000
<b>Total notes payable</b>					10,938,009	-	(658,000)	-	10,280,009
<b>Other debt</b>									
<u>Payable through General Purpose School Fund</u>									
Shelby County Settlement Liability	\$ 2,762,628	2.89%	1/6/2014	11/1/2026	1,453,729	-	(191,696)	-	1,262,033
<b>Total governmental activities</b>					\$ 12,391,738	\$ -	\$ (849,696)	\$ -	\$ 11,542,042
<b>BUSINESS-TYPE ACTIVITIES</b>									
<b>Notes Payable</b>									
<u>Payable through Sewer Fund</u>									
State Revolving Loan Fund	\$ 2,827,400	1.41%	8/1/2011	4/1/2035	\$ 2,302,198	\$ -	\$ (130,704)	\$ -	\$ 2,171,494

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULES OF PROPERTY TAXES**  
For the Year Ended June 30, 2020

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

Year of Levy	Balance June 30, 2019	Assessment	Adjustments/Abatements	Collections	June 30, 2020
2020	\$ -	\$ 3,030,401	\$ -	\$ -	\$ 3,030,401
2019	3,081,186	-	(81)	(2,912,775)	168,330
2018	81,624	-	2,254	(56,423)	27,455
2017	23,419	-	1,235	(8,912)	15,742
2016	12,092	-	(152)	(2,569)	9,371
2015	9,456	-	(1,996)	(190)	7,270
2014	7,904	-	(1,951)	(155)	5,798
2013	5,898	-	(1,848)	(82)	3,968
2012	2,326	-	(80)	-	2,246
2011	1,940	-	(155)	(204)	1,581
Prior Years	1,896	-	(176)	-	1,720
<b>Total</b>	<b>3,227,741</b>	<b>\$ 3,030,401</b>	<b>\$ (2,950)</b>	<b>\$ (2,981,310)</b>	<b>3,273,882</b>
Allowance for uncollectible property taxes	<u>(136,694)</u>				<u>(139,460)</u>
Net receivables	<u><b>\$ 3,091,047</b></u>				<u><b>\$ 3,134,422</b></u>

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

Year of Levy	Realty and Personality	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2020	\$ 191,389,745	\$ 6,675,697	\$ 198,065,442	\$ 1.53	\$ 3,030,401
2019	194,819,615	6,565,114	\$ 201,384,729	1.53	3,081,186
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	1.23	2,187,776
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

**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.

**OTHER SCHEDULES (UNAUDITED)**

**CITY OF MILLINGTON, TENNESSEE****SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**

For the Year Ended June 30, 2020

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As of June 30, 2020, the City of Millington, Tennessee, served approximately 3,000 water, sewer, and sanitation customers and had the following rate structure in place:

**Water Rates:**

Gallons Used	Rate
First 2,000 gallons	\$ 14.56
Each additional 1,000 gallons	\$ 4.88

**Sewer Rates:**

Based on Gallons of Water Used	Rate
First 2,000 gallons	\$ 8.06
Each additional 1,000 gallons	\$ 3.89

**Sanitation Rates:**

Type	Monthly Charge
Residential	\$ 23.00

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FIDELITY BONDS AND PRINCIPAL OFFICIALS**  
For the Year Ended June 30, 2020

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Position	Amount of Bond	Surety
Mayor	\$ 150,000	Public Entity Partners
City Clerk	\$ 150,000	Public Entity Partners
City Court Clerk	\$ 150,000	Public Entity Partners
Police Chief	\$ 150,000	Public Entity Partners
Fire Chief	\$ 150,000	Public Entity Partners
Seven Alderman (each)	\$ 150,000	Public Entity Partners

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
For the Year Ended June 30, 2020

**AWWA Free Water Audit Software:  
Reporting Worksheet**

Water Audit Report for: **City of Millington**  
Reporting Year: **2020** | **7/2019 - 6/2020**

WAB v5.0  
American Water Works Association,  
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Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades.

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

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

**WATER SUPPLIED**

Volume from own sources:	+	?	9	326.797	MG/Yr	Enter grading in column 'E' and 'J'	Pont:	Value:
Water Imported:	+	?	n/a	0.000	MG/Yr			
Water exported:	+	?	n/a	0.000	MG/Yr			
<b>WATER SUPPLIED:</b>				<b>330.297</b>	MG/Yr	Master Meter and Supply Error Adjustments		

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

**AUTHORIZED CONSUMPTION**

Billed metered:	+	?	7	289.184	MG/Yr	Click here: ? for help using option buttons below
Billed unmetered:	+	?	n/a	0.000	MG/Yr	Pont: Value:
Unbilled metered:	+	?	n/a	0.000	MG/Yr	
Unbilled unmetered:	+	?	9	21.200	MG/Yr	
Unbilled Unmetered volume entered is greater than the recommended default value						Use buttons to select percentage of water supplied
<b>AUTHORIZED CONSUMPTION:</b>				<b>310.384</b>	MG/Yr	OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

Apparent Losses	19.913	MG/Yr
Unauthorized consumption:	0.826	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed		
Customer metering inaccuracies:	15.220	MG/Yr
Systematic data handling errors:	0.723	MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed		
Apparent Losses:	16.769	MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:	3.144	MG/Yr
WATER LOSSES:	19.913	MG/Yr

**NON-REVENUE WATER**

NON-REVENUE WATER:	41.113	MG/Yr
--------------------	--------	-------

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	+	?	5	55.8	miles
Number of <u>active</u> AND <u>inactive</u> service connections:	+	?	7	4,325	
Service connection density:	?			78	conn./mile main

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

Average length of customer service line: **1.5**

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

Average operating pressure: **70.0** psi

**COST DATA**

Total annual cost of operating water system:	+	?	9	\$1,368,996	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	\$4.88	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$503.53	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* 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

**PRIORITY AREAS FOR ATTENTION:**

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

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

**(CONTINUED ON NEXT PAGE)**

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
For the Year Ended June 30, 2020

**AWWA Free Water Audit Software:  
System Attributes and Performance Indicators**

WAS v5.0  
American Water Works Association.  
Copyright © 2014, All Rights Reserved.

Water Audit Report for: **City of Millington**  
Reporting Year: **2020** **7/2019 - 6/2020**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 \*\*\*

<b>System Attributes:</b>	Apparent Losses: <input type="text" value="16.769"/> MG/Yr
	+ Real Losses: <input type="text" value="3.144"/> MG/Yr
	= <b>Water Losses:</b> <input type="text" value="19.913"/> MG/Yr
	<input type="text" value="24.29"/> MG/Yr
	Annual cost of Apparent Losses: <input type="text" value="\$81,832"/>
	Annual cost of Real Losses: <input type="text" value="\$1,583"/> Valued at <b>Variable Production Cost</b>
	<a href="#">Return to Reporting Worksheet to change this assumption</a>

**Performance Indicators:**

Financial:	<input type="text" value="12.4%"/> Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="6.9%"/> Non-revenue water as percent by cost of operating system:	Real Losses valued at Variable Production Cost								
Operational Efficiency:	<table border="0"> <tr> <td>Apparent Losses per service connection per day:</td> <td><input type="text" value="10.62"/> gallons/connection/day</td> </tr> <tr> <td>Real Losses per service connection per day:</td> <td><input type="text" value="1.99"/> gallons/connection/day</td> </tr> <tr> <td>Real Losses per length of main per day*:</td> <td><input type="text" value="N/A"/></td> </tr> <tr> <td>Real Losses per service connection per day per psi pressure:</td> <td><input type="text" value="0.03"/> gallons/connection/day/psi</td> </tr> </table>			Apparent Losses per service connection per day:	<input type="text" value="10.62"/> gallons/connection/day	Real Losses per service connection per day:	<input type="text" value="1.99"/> 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="0.03"/> gallons/connection/day/psi
Apparent Losses per service connection per day:	<input type="text" value="10.62"/> gallons/connection/day										
Real Losses per service connection per day:	<input type="text" value="1.99"/> 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="0.03"/> gallons/connection/day/psi										
	From Above, Real Losses = Current Annual Real Losses (CARL): <input type="text" value="3.14"/> million gallons/year										
	<input type="text" value="0.13"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:										

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

## **GOVERNMENT AUDITING STANDARDS SECTION**

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2020

<b>Federal Grantor/Pass-Through Grantor/Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Tennessee Department of Economic and Community Development		
Community Development Block Grants/Entitlement Grants	14.218	\$ 378,219
<b>U.S Department of Justice</b>		
Direct Award		
Equitable Sharing Program	16.922	111,418
<b>U.S. Department of Transportation</b>		
Tennessee Department of Transportation		
<i>Highway Planning and Construction Cluster</i>		
Highway Planning and Construction	20.205	474,714
Federal Lands Access Program	20.224	1,674,302
<i>Subtotal - Highway Planning and Construction Cluster</i>		2,149,016
<b>U.S. Department of Homeland Security</b>		
City of Memphis, Tennessee		
National Urban Search and Rescue Response System	97.025	4,108
<b>Total Federal Awards</b>		<b>2,642,761</b>
<b>State Financial Assistance</b>		
Tennessee Department of Safety	N/A	2,500
Tennessee Department of Transportation	N/A	78,188
<b>Total State Financial Assistance</b>		<b>80,688</b>
<b>Total Federal Awards and State Financial Assistance</b>		<b>\$ 2,723,449</b>

**CITY OF MILLINGTON, TENNESSEE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2020

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**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, 2020. 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 wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. There were no federal awards passed through to subrecipients.
4. The City has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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

Total grant revenue per governmental funds financial statements	\$ 6,622,634
Millington Municipal Schools federal awards	(3,611,635)
Millington Municipal Schools non-federal awards	(333,255)
City of Millington non-federal and non-state awards	(223,810)
Change in City of Millington unavailable revenue	269,515
Total federal awards and state financial assistance	<u><u>\$ 2,723,449</u></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, the fiduciary funds and the aggregate remaining fund information of the City of Millington, Tennessee (the "City"), as of and for the year ended June 30, 2020, 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 23, 2020. 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 Mihmall, PLLC*

Memphis, Tennessee  
December 23, 2020

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Millington, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Millington, Tennessee's basic financial statements include the operations of Millington Municipal Schools (the "Schools"), which include the general purpose school fund, each major fund, and the fiduciary funds of the School. The School's expended \$3,611,635 in federal awards and \$13,665,336 in state awards which are not included in the City of Millington, Tennessee's schedule of expenditures of federal and state awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Schools because the Schools engaged other auditors to perform an audit of compliance.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

## Report on Internal Control over Compliance

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

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

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

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



Memphis, Tennessee  
December 23, 2020

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2020

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**SECTION I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

**Financial Statements**

Type of auditors reported issued on whether financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America. Unmodified

Internal control over financial reporting:

    Material weakness(es) identified? Yes  No

    Significant deficiency(ies) identified not considered to be material weakness(es)? Yes  None Reported

Noncompliance material to financial statements noted Yes  No

**Federal Awards**

Internal control over major programs:

    Material weakness(es) identified? Yes  No

    Significant deficiency(ies) identified not considered to be material weakness(es)? Yes  None Reported

Type of auditors report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes  No

Identification of major programs:

*Highway Planning and Construction Cluster:*  
    CFDA Number 20.205 – Highway Planning and Construction  
    CFDA Number 20.224 – Federal Land Access Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Did auditee qualify as a low-risk auditee? Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**CITY OF MILLINGTON, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2020

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**A. FINDINGS – FINANCIAL STATEMENTS**

None reported.