

**CITY OF MILLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS**

June 30, 2019

**CITY OF MILLINGTON, TENNESSEE  
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## **INTRODUCTORY SECTION**

**CITY OF MILLINGTON, TENNESSEE**  
**ROSTER OF ELECTED AND APPOINTED OFFICIALS**  
June 30, 2019

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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, Vice Chairperson  
Cody Childress, Board Member  
Mark Coulter, Board Member

Roger Christopher, Board Member  
Cecilia Haley, Board Member  
Barbara Halliburton, Board Member

**MILLINGTON MUNICIPAL SCHOOLS OFFICIALS**

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

James Griffin  
Tutonial Williams  
Stacy Ross  
Matthew Bowser  
John Smith  
Virginia Rodgers  
Jill Church  
Jeana Decker  
Vicki Chen

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

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2019, 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 49.1 percent, 54.8 percent, and 63.4 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of the City of Millington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Millington's internal control over financial reporting and compliance.



Memphis, Tennessee  
December 31, 2019



**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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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, 2019. 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 \$8.5 million as a result of activity for the fiscal year, with an increase of \$6 million from governmental activities and an increase of \$2.5 million from business-type activities. After the positive results for the year the City's net position at June 30, 2019 was \$129.5 million. Of this amount, \$23.9 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 \$9.6 million. This included a commitment of \$4 million for financial stabilization, \$1 million for emergencies and \$.3 million for library construction. The unassigned fund balance of \$4 million represents 33% of total General Fund budgeted expenditures and transfers for FY20.
- The fund balance of the General Purpose School Fund increased by \$.5 million to \$4.5 million as of June 30, 2019. This represents 18% of budgeted expenditures and transfers for FY20.
- During the fiscal year, a \$2 million 20 year note was issued for school capital projects through the Tennessee Municipal Bond Fund with annual debt service to be funded by the school system. The City retired \$760,746 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, 2019

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The Statement of Activities presents information showing how the government's net position changed during the year ended June 30, 2019. 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 waste water (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 of 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 waste water.

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.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

**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. "Noted" 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.

**Supplemental Information.** Combining fund statements and individual budgetary schedules for nonmajor 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, 2019). This statement shows the financial position of the City as a whole at specific points in time – in this case as of June 30, 2019 and as of June 30, 2018.

| <b>Condensed Statement of Net Position</b>         |                                |                  |                                 |                  |                   |                   |
|--|--------------------------------|------------------|---------------------------------|------------------|-------------------|-------------------|
| <b>(dollars expressed in thousands)</b>            |                                |                  |                                 |                  |                   |                   |
|  | <b>Governmental Activities</b> |                  | <b>Business-type Activities</b> |                  | <b>Total</b>      |                   |
|  | <b>2019</b>                    | <b>2018</b>      | <b>2019</b>                     | <b>2018</b>      | <b>2019</b>       | <b>2018</b>       |
| Current and other assets                           | \$ 31,957                      | \$ 29,065        | \$ 12,310                       | \$ 10,214        | \$ 44,267         | \$ 39,279         |
| Capital assets                                     | 98,610                         | 92,337           | 15,405                          | 15,151           | 114,015           | 107,488           |
| Total assets                                       | <u>130,567</u>                 | <u>121,402</u>   | <u>27,715</u>                   | <u>25,365</u>    | <u>158,282</u>    | <u>146,767</u>    |
| Deferred outflows of resources                     | 4,466                          | 5,076            | 110                             | 109              | 4,576             | 5,185             |
| Noncurrent liabilities                             | 19,216                         | 17,632           | 2,808                           | 2,930            | 22,024            | 20,562            |
| Other liabilities                                  | 4,524                          | 3,588            | 223                             | 278              | 4,747             | 3,866             |
| Total liabilities                                  | <u>23,740</u>                  | <u>21,220</u>    | <u>3,031</u>                    | <u>3,208</u>     | <u>26,771</u>     | <u>24,428</u>     |
| Deferred inflows of resources                      | 6,424                          | 6,511            | 163                             | 125              | 6,587             | 6,636             |
| Net position:                                      |                                |                  |                                 |                  |                   |                   |
| Invested in capital assets,<br>net of related debt | 87,672                         | 82,826           | 13,102                          | 12,720           | 100,774           | 95,546            |
| Restricted   | 4,566                          | 2,274            | 186                             | 83               | 4,752             | 2,357             |
| Unrestricted                                       | 12,631                         | 13,647           | 11,343                          | 9,338            | 23,974            | 22,985            |
| Total net position                                 | <u>\$ 104,869</u>              | <u>\$ 98,747</u> | <u>\$ 24,631</u>                | <u>\$ 22,141</u> | <u>\$ 129,500</u> | <u>\$ 120,888</u> |

"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 \$129 million at June 30, 2019.

By far the largest portion of the City's net position (78%) 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.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

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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 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$24 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 \$6 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 \$6 million. This is a \$3.7 million improvement over the FY18 increase. The most significant items causing this improvement were an increase in capital grants and contributions of \$2.8 million, higher collections in property taxes and local sales taxes of \$.3 million coupled with a reduction in expenditures of \$.4 million.

**Business-type Activities.** Business-type activities increased the City's net position by \$2.5 million. The Water Fund increased by \$.5 million in net position. The Sewer Fund increased by \$2 million. Collectively, this is a \$1.4 million improvement over the FY18 increase. Charges for services increased by \$.6 million and capital grants and contributions increased by \$.8 million. 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.

The following table shows a condensed version of the Statement of Activities (see the government-wide financial statements for the full version as of June 30, 2019). 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, 2019 and June 30, 2018.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

| <b>Condensed Statement of Activities</b><br>(dollars expressed in thousands) |                                |                  |                                 |                  |                   |                   |
|--|--------------------------------|------------------|---------------------------------|------------------|-------------------|-------------------|
|  | <b>Governmental Activities</b> |                  | <b>Business-type Activities</b> |                  | <b>Total</b>      |                   |
|  | <b>2019</b>                    | <b>2018</b>      | <b>2019</b>                     | <b>2018</b>      | <b>2019</b>       | <b>2018</b>       |
| Revenues :   |                                |                  |                                 |                  |                   |                   |
| Program Revenues :   |                                |                  |                                 |                  |                   |                   |
| Charges for services   | \$ 2,567                       | \$ 2,538         | \$ 4,186                        | \$ 3,553         | \$ 6,753          | \$ 6,091          |
| Operating grants and contributions   | 28,408                         | 28,476           | -                               | -                | 28,408            | 28,476            |
| Capital grants and contributions   | 3,531                          | 712              | 937                             | 95               | 4,468             | 807               |
| General Revenues :   |                                |                  |                                 |                  |                   |                   |
| Local taxes  | 9,831                          | 9,464            | -                               | -                | 9,831             | 9,464             |
| Intergovernmental revenues   | 2,099                          | 2,018            | -                               | -                | 2,099             | 2,018             |
| Interest on Investments  | 115                            | 18               | 69                              | 10               | 184               | 28                |
| Gain on sale of assets   | 2                              | -                | 1                               | 2                | 3                 | 2                 |
| Other revenue  | 418                            | 356              | 1                               | -                | 419               | 356               |
| Total Revenues   | <u>46,971</u>                  | <u>43,582</u>    | <u>5,194</u>                    | <u>3,660</u>     | <u>52,165</u>     | <u>47,242</u>     |
| Expenses :   |                                |                  |                                 |                  |                   |                   |
| General government   | 2,144                          | 2,509            | -                               | -                | 2,144             | 2,509             |
| Public safety  | 5,809                          | 5,838            | -                               | -                | 5,809             | 5,838             |
| Community services   | 3,609                          | 4,864            | -                               | -                | 3,609             | 4,864             |
| Transportation and environment   | 1,257                          | 1,203            | -                               | -                | 1,257             | 1,203             |
| Education  | 27,647                         | 26,539           | -                               | -                | 27,647            | 26,539            |
| Interest on long-term debt   | 383                            | 281              | -                               | -                | 383               | 281               |
| Water  | -                              | -                | 1,176                           | 1,034            | 1,176             | 1,034             |
| Sewer  | -                              | -                | 1,528                           | 1,503            | 1,528             | 1,503             |
| Total Expenses   | <u>40,849</u>                  | <u>41,234</u>    | <u>2,704</u>                    | <u>2,537</u>     | <u>43,553</u>     | <u>43,771</u>     |
| Increase/(Decrease) in Net Position  | <u>6,122</u>                   | <u>2,348</u>     | <u>2,490</u>                    | <u>1,123</u>     | <u>8,612</u>      | <u>3,471</u>      |
| Net Position - Beginning   | <u>98,747</u>                  | <u>96,399</u>    | <u>22,141</u>                   | <u>21,018</u>    | <u>120,888</u>    | <u>117,417</u>    |
| Net Position - Ending  | <u>\$ 104,869</u>              | <u>\$ 98,747</u> | <u>\$ 24,631</u>                | <u>\$ 22,141</u> | <u>\$ 129,500</u> | <u>\$ 120,888</u> |

**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 \$2.3 million net increase in fund balance, excluding Capital Projects. This is attributed to increases of \$1.4 million, \$.5 million and \$.4 million in the General Fund, General Purpose School Fund and Special Revenue Funds, respectively. Both of the Capital Projects Funds had a decrease, which combined was \$3 million. Each of these changes is in the following paragraphs.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

As of June 30, 2019, the City's governmental funds reported a combined ending fund balances of \$21.1 million. The components of the balances are:

|                                      | <u>(expressed in thousands)</u> |                  |
|--------------------------------------|---------------------------------|------------------|
|                                      | <u>2019</u>                     | <u>2018</u>      |
| General Fund                         | \$ 9,573                        | \$ 8,159         |
| General Purpose School Fund          | 4,464                           | 3,964            |
| Special Revenue Funds                | 1,831                           | 1,478            |
| Total, except capital projects funds | <u>15,868</u>                   | <u>13,601</u>    |
| Capital Improvements Fund            | 1,787                           | 4,112            |
| School Capital Projects Fund         | 3,465                           | 4,180            |
| Total capital projects funds         | <u>5,252</u>                    | <u>8,292</u>     |
| Total governmental funds             | <u>\$ 21,120</u>                | <u>\$ 21,893</u> |

The General Fund is the chief operating fund of Millington and operated with a net increase in fund balance of \$1.4 million, an increase of \$.7 million in comparison with the prior year. General Fund revenue increased by \$.6 million, as compared to the prior year. Local sales taxes increased \$.3 million (5.3%) while all other revenues combined increased by \$.3 million. Total revenues in FY2019 exceed expenditures by \$2.4 million compared to revenues over expenditures of \$2.5 million in FY2018. General Fund expenditures increased \$.3 million (6.7%) and net other financing sources (uses) decreased \$.9 million. Approximately 42% (\$4.0 million) 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 \$.2 million and committed of \$5.3 million.

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 30% 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 \$.5 million. Revenues exceeded expenditures by \$1 million as compared to \$1.4 million in FY2018. Net other financing sources (uses) were \$.5 million, a decrease of \$1.9 million compared to FY2018.

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, an increase of \$.3 million. Operating expenses were \$1.2 million, an increase of only \$.1 million. Total equity increased by \$.5 million to \$8.3 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 \$3.5 million, an increase of \$1.2 million. Operating expenses were \$1.5 million, the same as FY2017. Total equity increased by \$2 million to \$16.4 million.

**Fiduciary funds.** Millington reports three fiduciary funds. The Millington Municipal Schools OPEB Fund as established to accumulate and pay other post-employment benefits to terminated school employees. At June 30, 2019, the fund had net position held for OPEB benefits of \$294,008, a net increase of \$14,383 for the year. The City also maintains agency funds for a number of 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.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

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**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 increase by \$808,392 from original to amended. The increase was \$70,521 for grants and \$737,871 planned use of fund balance. The use of fund balance was to use committed fund balance for a roof on the library and unassigned fund balance to purchase land.
- The original expenditure budget was increased by the same amount as revenues.
- The General Fund revenues were higher than budgeted by 2% or \$320,858. When excluding \$737,871 budgeted as planned use of fund balance, revenues actually exceeded budget by 8% (\$1,058,729). The significant differences are summarized in these categories:
  - Property Taxes were over budget by \$266,950.
  - Local Taxes were over budget by \$373,013
  - Intergovernmental Revenues were over budget by \$105,554
  - Fines, Forfeitures and Penalties were \$75,695 over budget.
  - Interest on Investments exceeded budget by \$105,303.
  - No actual to compare to planned use of fund balance creates an under budget of \$737,871.
- Actual total expenditures were \$858,854 less than the amended budget. Almost 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.
- Although the final amended budget included \$737,871 in planned use of fund balance, the actual results were an operating surplus of \$1,141,382 – a favorable variance to budget of \$1,879,253.

**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, 2019 amounts to \$114 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 \$11.3 million, disposals were \$1.3 million and depreciation was \$3.4 million. Construction in progress as of the end of the current fiscal year was \$11.2 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 increased \$6.5 million. Governmental activities increased \$6.3 million and business activities increased \$.2 million.

**Noncurrent Liabilities.** At June 30, 2019 the City had total noncurrent liabilities of \$23,087,913. Of this amount \$20,149,218 comprises debt for governmental activities and \$2,938,695 represents debt for business-type activities. Debt for governmental activities at June 30, 2019 includes \$10,938,009 of notes, a settlement obligation with the Shelby County Schools of \$1,453,729, compensated absences of \$389,588 and OPEB liability of \$7,367,892. Debt for business-type activities includes \$2,302,198 of notes to the State, compensated absences of \$54,128 and OPEB liability of \$582,369.

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.

In November 2018 the Board of Mayor and Aldermen authorized and issued a \$2 million note through the Tennessee Municipal Bond Fund for the city school system. The note has semiannual payments of interest at a 4.16% rate and annual payments of principal through 2039. The school system has agreed to cover the annual debt service from its operating budget.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2019

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

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

- The Board of Mayor and Aldermen approved a tax rate to fund FY20 expenditures of \$1.53 per \$100 of assessed value. This is the same rate approved for FY19.
- City service rates for water and sewer increased by 10.2% and 4.2%, respectively, while rates for storm water and sanitation remain the same.
- The City has budgeted for a \$5,000,000 debt issue for future public improvements. The City expects to draw the final \$1,497,091 from its Series 2015 Note Payable and \$3,370,488 from this new issue for a total of \$4,867,579 to be drawn in FY20.
- 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, 2019

|   | <b>Primary Government</b>          |                                     |                       |
|---|------------------------------------|-------------------------------------|-----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
| <b>ASSETS</b>   |                                    |                                     |                       |
| Cash and cash equivalents                             | \$ 16,674,795                      | \$ 11,160,887                       | \$ 27,835,682         |
| Short-term investments                                | 4,000,000                          | -                                   | 4,000,000             |
| Receivables   |                                    |                                     |                       |
| Taxes   | 3,227,741                          | -                                   | 3,227,741             |
| Fines and fees  | 2,115,692                          | 605,199                             | 2,720,891             |
| Other   | 46,866                             | -                                   | 46,866                |
| Less allowance for doubtful accounts                  | (1,993,629)                        | (281,985)                           | (2,275,614)           |
| Due from other governments                            | 4,978,503                          | 371,907                             | 5,350,410             |
| Internal balances                                     | (207,698)                          | 207,698                             | -                     |
| Inventories   | 45,590                             | -                                   | 45,590                |
| Restricted cash                                       | 14,179                             | -                                   | 14,179                |
| Prepaid items   | 283,741                            | 60,094                              | 343,835               |
| Capital assets, not being depreciated                 | 16,938,816                         | 1,881,595                           | 18,820,411            |
| Capital assets, being depreciated, net                | 81,670,865                         | 13,523,376                          | 95,194,241            |
| Net pension asset                                     | 2,718,726                          | 185,900                             | 2,904,626             |
| Restricted investments                                | 52,860                             | -                                   | 52,860                |
| Total assets  | <u>130,567,047</u>                 | <u>27,714,671</u>                   | <u>158,281,718</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                                    |                                     |                       |
| Related to pension                                    | 4,355,023                          | 110,551                             | 4,465,574             |
| Related to OPEB                                       | 111,021                            | -                                   | 111,021               |
| Total deferred outflows of resources                  | <u>4,466,044</u>                   | <u>110,551</u>                      | <u>4,576,595</u>      |
| <b>LIABILITIES</b>                                    |                                    |                                     |                       |
| Accounts payable and accrued liabilities              | 3,451,728                          | 91,811                              | 3,543,539             |
| Accrued interest payable                              | 71,553                             | -                                   | 71,553                |
| Customer deposits                                     | -                                  | 525                                 | 525                   |
| Unearned revenue                                      | 67,969                             | -                                   | 67,969                |
| Noncurrent liabilities:                               |                                    |                                     |                       |
| Due within one year                                   | 932,529                            | 130,704                             | 1,063,233             |
| Due in more than one year                             | 11,848,797                         | 2,225,622                           | 14,074,419            |
| Net OPEB liability                                    | 7,367,892                          | 582,369                             | 7,950,261             |
| Total liabilities                                     | <u>23,740,468</u>                  | <u>3,031,031</u>                    | <u>26,771,499</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                                    |                                     |                       |
| Current property taxes assessed for subsequent period | 2,944,492                          | -                                   | 2,944,492             |
| Related to pension                                    | 2,994,015                          | 162,822                             | 3,156,837             |
| Related to OPEB                                       | 485,622                            | -                                   | 485,622               |
| Total deferred inflows of resources                   | <u>6,424,129</u>                   | <u>162,822</u>                      | <u>6,586,951</u>      |
| <b>NET POSITION</b>                                   |                                    |                                     |                       |
| Net investment in capital assets                      | 87,671,672                         | 13,102,773                          | 100,774,445           |
| Restricted for:                                       |                                    |                                     |                       |
| Net pension asset                                     | 2,718,727                          | 185,900                             | 2,904,627             |
| Stabilization reserve trust                           | 52,860                             | -                                   | 52,860                |
| Transportation and environment                        | 925,135                            | -                                   | 925,135               |
| Public safety programs                                | 323,261                            | -                                   | 323,261               |
| Education   | 545,761                            | -                                   | 545,761               |
| Unrestricted  | 12,631,078                         | 11,342,696                          | 23,973,774            |
| Total net position                                    | <u>\$ 104,868,494</u>              | <u>\$ 24,631,369</u>                | <u>\$ 129,499,863</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, 2019

| 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                   | \$ 2,143,630  | \$ 202,044           | \$ 42,932                          | \$ -                             | \$ (1,898,654)                                    | \$ -                     | \$ (1,898,654) |
| Public safety                        | 5,808,622     | 558,928              | 214,887                            | -                                | (5,034,807)                                       | -                        | (5,034,807)    |
| Transportation and environment       | 3,609,273     | 1,462,692            | 89,827                             | 2,191,736                        | 134,982   | -                        | 134,982        |
| Community services                   | 1,257,338     | 251,474              | 40,384                             | -                                | (965,480)   | -                        | (965,480)      |
| Education                            | 27,646,873    | 91,898               | 28,020,092                         | 1,338,826                        | 1,803,943   | -                        | 1,803,943      |
| Interest on long-term debt           | 383,456       | -                    | -                                  | -                                | (383,456)   | -                        | (383,456)      |
| Total governmental activities        | 40,849,192    | 2,567,036            | 28,408,122                         | 3,530,562                        | (6,343,472)                                       | -                        | (6,343,472)    |
| Business-type Activities:            |               |                      |                                    |                                  |   |                          |                |
| Water                                | 1,176,499     | 1,654,739            | -                                  | -                                | -   | 478,240                  | 478,240        |
| Sewer                                | 1,527,706     | 2,531,499            | -                                  | 937,214                          | -   | 1,941,007                | 1,941,007      |
| Total business-type activities       | 2,704,205     | 4,186,238            | -                                  | 937,214                          | -   | 2,419,247                | 2,419,247      |
| Total primary government             | \$ 43,553,397 | \$ 6,753,274         | \$ 28,408,122                      | \$ 4,467,776                     | (6,343,472)                                       | 2,419,247                | (3,924,225)    |
| General revenues:                    |               |                      |                                    |                                  |   |                          |                |
| Property taxes                       |               |                      |                                    |                                  | 3,226,949   | -                        | 3,226,949      |
| Local option sales tax               |               |                      |                                    |                                  | 5,545,329   | -                        | 5,545,329      |
| Other taxes                          |               |                      |                                    |                                  |   |                          |                |
| Wholesale liquor and beer taxes      |               |                      |                                    |                                  | 433,191   | -                        | 433,191        |
| Business and hotel-motel taxes       |               |                      |                                    |                                  | 625,393   | -                        | 625,393        |
| Intergovernmental revenues:          |               |                      |                                    |                                  |   |                          |                |
| State sales tax                      |               |                      |                                    |                                  | 991,079   | -                        | 991,079        |
| State income tax                     |               |                      |                                    |                                  | 229,474   | -                        | 229,474        |
| Other state revenue                  |               |                      |                                    |                                  | 878,029   | -                        | 878,029        |
| Other revenue                        |               |                      |                                    |                                  | 417,854   | 891                      | 418,745        |
| Interest on investments              |               |                      |                                    |                                  | 115,146   | 69,379                   | 184,525        |
| Gain on sale of capital assets       |               |                      |                                    |                                  | 2,808   | 601                      | 3,409          |
| Total general revenues and transfers |               |                      |                                    |                                  | 12,465,252  | 70,871                   | 12,536,123     |
| Change in net position               |               |                      |                                    |                                  | 6,121,780   | 2,490,118                | 8,611,898      |
| Net position - beginning             |               |                      |                                    |                                  | 98,746,714  | 22,141,251               | 120,887,965    |
| Net position - ending                |               |                      |                                    |                                  | \$ 104,868,494                                    | \$ 24,631,369            | \$ 129,499,863 |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

|  | General<br>Fund      | General<br>Purpose<br>School Fund | Capital<br>Improvements<br>Fund | School<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------------|---------------------------------|------------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                                   |                                 |                                    |                                |                                |
| Cash and cash equivalents  | \$ 8,849,575         | \$ 492,033                        | \$ 2,283,773                    | \$ 3,415,087                       | \$ 1,634,327                   | \$ 16,674,795                  |
| Short-term investments   | -                    | 4,000,000                         | -                               | -                                  | -                              | 4,000,000                      |
| Receivables  |                      |                                   |                                 |                                    |                                |                                |
| Property taxes   | 3,227,741            | -                                 | -                               | -                                  | -                              | 3,227,741                      |
| Fines and fees   | 1,797,536            | -                                 | -                               | -                                  | 318,156                        | 2,115,692                      |
| Other  | 521                  | 46,345                            | -                               | -                                  | -                              | 46,866                         |
| Less allowance for doubtful accounts                               | (1,825,011)          | -                                 | -                               | -                                  | (168,618)                      | (1,993,629)                    |
| Due from other governments   | 1,255,523            | 1,318,482                         | 1,472,462                       | 303,705                            | 628,331                        | 4,978,503                      |
| Due from other funds   | 7,329                | 436,508                           | -                               | -                                  | 28,894                         | 472,731                        |
| Inventory  | 32,399               | -                                 | -                               | -                                  | 13,191                         | 45,590                         |
| Restricted cash  | 14,179               | -                                 | -                               | -                                  | -                              | 14,179                         |
| Prepaid Items  | 196,702              | 60,450                            | -                               | -                                  | 26,589                         | 283,741                        |
| Restricted investments   | -                    | 52,860                            | -                               | -                                  | -                              | 52,860                         |
|  | <u>\$ 13,556,494</u> | <u>\$ 6,406,678</u>               | <u>\$ 3,756,235</u>             | <u>\$ 3,718,792</u>                | <u>\$ 2,480,870</u>            | <u>\$ 29,919,069</u>           |
| <b>LIABILITIES</b>   |                      |                                   |                                 |                                    |                                |                                |
| Accounts payable and accrued liabilities                           | \$ 647,976           | \$ 1,463,072                      | \$ 886,287                      | \$ 253,466                         | \$ 200,927                     | \$ 3,451,728                   |
| Due to other funds   | 231,495              | -                                 | 1,443                           | -                                  | 447,491                        | 680,429                        |
| Unearned revenue   | 21,661               | -                                 | 45,340                          | -                                  | -                              | 67,001                         |
| Total liabilities  | <u>901,132</u>       | <u>1,463,072</u>                  | <u>933,070</u>                  | <u>253,466</u>                     | <u>648,418</u>                 | <u>4,199,158</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                      |                                   |                                 |                                    |                                |                                |
| Unavailable revenue  |                      |                                   |                                 |                                    |                                |                                |
| Property taxes   | 3,081,981            | -                                 | -                               | -                                  | -                              | 3,081,981                      |
| Grants   | -                    | 480,059                           | 1,035,720                       | -                                  | 968                            | 1,516,747                      |
| Total deferred inflows of resources                                | <u>3,081,981</u>     | <u>480,059</u>                    | <u>1,035,720</u>                | <u>-</u>                           | <u>968</u>                     | <u>4,598,728</u>               |
| <b>FUND BALANCES</b>   |                      |                                   |                                 |                                    |                                |                                |
| Nonspendable   | 229,101              | 60,450                            | -                               | -                                  | 39,780                         | 329,331                        |
| Restricted   | -                    | 55,313                            | -                               | -                                  | 1,791,704                      | 1,847,017                      |
| Committed  | 5,296,771            | -                                 | -                               | -                                  | -                              | 5,296,771                      |
| Assigned   | -                    | 4,347,784                         | 1,787,445                       | 3,465,326                          | -                              | 9,600,555                      |
| Unassigned   | 4,047,509            | -                                 | -                               | -                                  | -                              | 4,047,509                      |
| Total fund balances  | <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>              |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 13,556,494</u> | <u>\$ 6,406,678</u>               | <u>\$ 3,756,235</u>             | <u>\$ 3,718,792</u>                | <u>\$ 2,480,870</u>            | <u>\$ 29,919,069</u>           |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET POSITION**  
June 30, 2019

|  |                     |                       |
|--|---------------------|-----------------------|
| Total fund balances, governmental funds  |                     | \$ 21,121,183         |
| 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   | \$ 117,395,556      |                       |
| Less: accumulated depreciation   | <u>(18,785,875)</u> | 98,609,681            |
| (2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.  |                     | 1,653,268             |
| (3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.   |                     |                       |
| Less: bonds payable  | (8,938,009)         |                       |
| Less: settlement obligation, net of unamortized discount   | <u>(3,453,729)</u>  | (12,391,738)          |
| (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   | (71,553)            |                       |
| Less: compensated absences payable   | <u>(389,588)</u>    | (461,141)             |
| (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   | 2,718,726           |                       |
| Less: net pension liability  | -                   |                       |
| Less: net OPEB liability   | <u>(7,367,892)</u>  | (4,649,166)           |
| (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  | 4,355,023           |                       |
| Add: deferred outflows of resources related to OPEB  | 111,021             |                       |
| Less: deferred inflows of resources related to pensions  | (2,994,015)         |                       |
| Less: deferred inflows of resources related to OPEB  | <u>(485,622)</u>    | 986,407               |
| Net position of governmental activities  |                     | <u>\$ 104,868,494</u> |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

|  | General<br>Fund     | General<br>Purpose<br>School Fund | Capital<br>Improvements<br>Fund | School<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------------|---------------------------------|------------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                                   |                                 |                                    |                                |                                |
| Property taxes   | \$ 3,220,777        | \$ 6,678,089                      | \$ -                            | \$ -                               | \$ -                           | \$ 9,898,866                   |
| Local sales taxes  | 6,603,913           | 3,633,339                         | -                               | -                                  | -                              | 10,237,252                     |
| Intergovernmental  | 2,098,582           | 13,453,091                        | -                               | 1,258,956                          | -                              | 16,810,629                     |
| Intergovernmental gas tax                                    | -                   | -                                 | -                               | -                                  | 413,046                        | 413,046                        |
| Licenses and permits   | 449,648             | -                                 | -                               | -                                  | -                              | 449,648                        |
| Charges for services   | 251,624             | -                                 | -                               | -                                  | 1,306,836                      | 1,558,460                      |
| Fines, forfeitures, and penalties                            | 554,528             | -                                 | -                               | -                                  | 4,400                          | 558,928                        |
| Federal, state, and other grants                             | 128,326             | 610,201                           | 873,247                         | -                                  | 3,870,831                      | 5,482,605                      |
| Interest on investments                                      | 111,303             | -                                 | 1,989                           | -                                  | 1,854                          | 115,146                        |
| Other  | 103,559             | 312,229                           | -                               | 79,870                             | 2,066                          | 497,724                        |
| Total revenues   | <u>13,522,260</u>   | <u>24,686,949</u>                 | <u>875,236</u>                  | <u>1,338,826</u>                   | <u>5,599,033</u>               | <u>46,022,304</u>              |
| <b>EXPENDITURES</b>  |                     |                                   |                                 |                                    |                                |                                |
| Current  |                     |                                   |                                 |                                    |                                |                                |
| General government   | 2,411,983           | -                                 | -                               | -                                  | -                              | 2,411,983                      |
| Public safety  | 5,838,773           | -                                 | -                               | -                                  | 45,214                         | 5,883,987                      |
| Transportation and environment                               | 758,007             | -                                 | -                               | -                                  | 1,517,840                      | 2,275,847                      |
| Community services   | 1,202,956           | -                                 | -                               | -                                  | -                              | 1,202,956                      |
| Education  | -                   | 23,441,586                        | -                               | -                                  | 3,617,773                      | 27,059,359                     |
| Debt Service   |                     |                                   |                                 |                                    |                                |                                |
| Principal  | 574,000             | 242,219                           | -                               | -                                  | -                              | 816,219                        |
| Interest and fiscal charges                                  | 294,655             | 36,978                            | -                               | -                                  | -                              | 331,633                        |
| Capital outlays  | -                   | -                                 | 3,517,368                       | 5,329,634                          | -                              | 8,847,002                      |
| Total expenditures   | <u>11,080,374</u>   | <u>23,720,783</u>                 | <u>3,517,368</u>                | <u>5,329,634</u>                   | <u>5,180,827</u>               | <u>48,828,986</u>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | 2,441,886           | 966,166                           | (2,642,132)                     | (3,990,808)                        | 418,206                        | (2,806,682)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                                   |                                 |                                    |                                |                                |
| Issuance of debt   | -                   | -                                 | 2,000,000                       | -                                  | -                              | 2,000,000                      |
| Sale of capital assets                                       | 2,715               | -                                 | 17,490                          | -                                  | 14,561                         | 34,766                         |
| Transfers in   | -                   | 809,348                           | 300,000                         | 3,276,050                          | -                              | 4,385,398                      |
| Transfers out  | (1,030,219)         | (1,276,050)                       | (2,000,000)                     | -                                  | (79,129)                       | (4,385,398)                    |
| Total other financing<br>sources and uses                    | <u>(1,027,504)</u>  | <u>(466,702)</u>                  | <u>317,490</u>                  | <u>3,276,050</u>                   | <u>(64,568)</u>                | <u>2,034,766</u>               |
| Net change in fund balances                                  | 1,414,382           | 499,464                           | (2,324,642)                     | (714,758)                          | 353,638                        | (771,916)                      |
| Fund balances - beginning                                    | <u>8,158,999</u>    | <u>3,964,083</u>                  | <u>4,112,087</u>                | <u>4,180,084</u>                   | <u>1,477,846</u>               | <u>21,893,099</u>              |
| Fund balances - ending                                       | <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>           |

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, 2019

Net change in fund balance - total governmental funds \$ (771,916)

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  | \$ 8,986,750       |                     |
| Less: depreciation expense  | <u>(2,614,564)</u> | 6,372,186           |
| (2) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.   |                    | (100,092)           |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                    |                     |
| Property taxes  | 6,172              |                     |
| Sales and income taxes  | (55,582)           |                     |
| Grant revenue   | <u>995,270</u>     | 945,860             |
| (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   | 760,746            |                     |
| Less: proceeds from debt issuance   | <u>(2,000,000)</u> | (1,239,254)         |
| (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  | 3,650              |                     |
| Change in compensated absences  | <u>(11,519)</u>    | (7,869)             |
| (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   | 1,274,847          |                     |
| Difference between actual contributions and OPEB expense  | <u>(351,982)</u>   | <u>922,865</u>      |
| Change in net position of governmental activities   |                    | <u>\$ 6,121,780</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, 2019

|                                     | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-------------------------------------|-------------------------|------------------|-----------------------|---|
|                                     | <u>Original</u>         | <u>Final</u>     |                       |   |
| <b>REVENUES</b>                     |                         |                  |                       |   |
| <b>PROPERTY TAXES</b>               |                         |                  |                       |   |
| Property taxes                      | \$ 2,669,000            | \$ 2,669,000     | \$ 2,920,364          | \$ 251,364  |
| Payments in lieu of taxes           | 269,827                 | 269,827          | 279,175               | 9,348   |
| Property tax interest and penalties | 15,000                  | 15,000           | 21,238                | 6,238   |
| Total property taxes                | <u>2,953,827</u>        | <u>2,953,827</u> | <u>3,220,777</u>      | <u>266,950</u>  |
| <b>LOCAL TAXES</b>                  |                         |                  |                       |   |
| Local sales tax                     | 5,250,000               | 5,250,000        | 5,545,329             | 295,329   |
| Wholesale beer and liquor tax       | 440,000                 | 440,000          | 433,191               | (6,809)   |
| Business tax                        | 360,900                 | 360,900          | 398,336               | 37,436  |
| Hotel/motel tax                     | 180,000                 | 180,000          | 227,057               | 47,057  |
| Total local taxes                   | <u>6,230,900</u>        | <u>6,230,900</u> | <u>6,603,913</u>      | <u>373,013</u>  |
| <b>INTERGOVERNMENTAL</b>            |                         |                  |                       |   |
| State of Tennessee shared revenues  |                         |                  |                       |   |
| Sales tax                           | 940,000                 | 940,000          | 991,079               | 51,079  |
| Income tax                          | -                       | -                | 24,978                | 24,978  |
| Beer tax                            | 5,300                   | 5,300            | 5,153                 | (147)   |
| Liquor tax                          | 40,000                  | 40,000           | 44,128                | 4,128   |
| Bank excise tax                     | 18,000                  | 18,000           | 17,610                | (390)   |
| Receipts in lieu of tax - TVA       | 131,000                 | 131,000          | 137,605               | 6,605   |
| Public safety pay supplements       | -                       | 28,800           | 28,800                | -   |
| Receipts in lieu of tax             | 149,000                 | 149,000          | 171,021               | 22,021  |
| Fire and ambulance fees             | 680,928                 | 680,928          | 678,208               | (2,720)   |
| Total state shared taxes            | <u>1,964,228</u>        | <u>1,993,028</u> | <u>2,098,582</u>      | <u>105,554</u>  |
| <b>LICENSES AND PERMITS</b>         |                         |                  |                       |   |
| Building and related permits        | 6,100                   | 6,100            | 41,511                | 35,411  |
| Beer and liquor licenses            | 84,750                  | 84,750           | 128,451               | 43,701  |
| Automobile registrations            | 239,000                 | 239,000          | 247,604               | 8,604   |
| CATV franchise fees                 | 25,000                  | 25,000           | 26,082                | 1,082   |
| Other permits                       | -                       | -                | 6,000                 | 6,000   |
| Total licenses and permits          | <u>354,850</u>          | <u>354,850</u>   | <u>449,648</u>        | <u>94,798</u>   |
| <b>CHARGES FOR SERVICES</b>         |                         |                  |                       |   |
| Recreation fees for services        | 237,000                 | 237,000          | 162,053               | (74,947)  |
| Recreation rental income            | 60,500                  | 60,500           | 73,271                | 12,771  |
| Library fees                        | 16,360                  | 16,360           | 13,087                | (3,273)   |
| Lot mowing fees                     | -                       | -                | 3,063                 | 3,063   |
| Animal control fees                 | -                       | -                | 150                   | 150   |
| Total charge for services           | <u>313,860</u>          | <u>313,860</u>   | <u>251,624</u>        | <u>(62,236)</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, 2019

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                       |   |
| <b>FINES, FORFEITURES, AND PENALTIES</b> | \$ 443,200              | \$ 443,200       | \$ 554,528            | \$ 111,328  |
| <b>FEDERAL, STATE, AND OTHER GRANTS</b>  | 62,700                  | 104,421          | 128,326               | 23,905  |
| <b>INTEREST ON INVESTMENTS</b>           | 6,000                   | 6,000            | 111,303               | 105,303   |
| <b>OTHER</b>                             | 63,445                  | 63,445           | 103,559               | 40,114  |
| <b>PLANNED USE OF FUND BALANCE</b>       | -                       | 737,871          | -                     | (737,871)   |
| <b>Total Revenues</b>                    | 12,393,010              | 13,201,402       | 13,522,260            | 320,858   |
| <b>EXPENDITURES</b>                      |                         |                  |                       |   |
| <b>GENERAL GOVERNMENT</b>                |                         |                  |                       |   |
| Finance and Administration               |                         |                  |                       |   |
| Personnel costs                          | 635,484                 | 629,733          | 546,352               | 83,381  |
| Contractual services                     | 328,935                 | 314,127          | 259,564               | 54,563  |
| Materials and supplies                   | 66,300                  | 74,300           | 65,144                | 9,156   |
| Other charges                            | 87,136                  | 80,604           | 62,506                | 18,098  |
| Grants                                   | 18,000                  | 18,000           | 18,000                | -   |
| Capital outlay                           | 10,000                  | 34,265           | 27,516                | 6,749   |
|  | <u>1,145,855</u>        | <u>1,151,029</u> | <u>979,082</u>        | <u>171,947</u>  |
| General Government                       |                         |                  |                       |   |
| Personnel costs                          | 323,000                 | 309,080          | 269,876               | 39,204  |
| Contractual services                     | 30,361                  | 21,461           | 3,000                 | 18,461  |
| Other charges                            | 224,470                 | 203,481          | 199,338               | 4,143   |
| Capital outlay                           | -                       | 599,195          | 599,193               | 2   |
|  | <u>577,831</u>          | <u>1,133,217</u> | <u>1,071,407</u>      | <u>61,810</u>   |
| Courts                                   |                         |                  |                       |   |
| Personnel costs                          | 218,727                 | 219,735          | 211,617               | 8,118   |
| Contractual services                     | 11,000                  | 11,000           | 9,150                 | 1,850   |
| Materials and supplies                   | 25,700                  | 25,700           | 18,695                | 7,005   |
| Other charges                            | 9,700                   | 8,692            | 7,212                 | 1,480   |
|  | <u>265,127</u>          | <u>265,127</u>   | <u>246,674</u>        | <u>18,453</u>   |
| Codes and Economic Development           |                         |                  |                       |   |
| Personnel costs                          | 162,832                 | 102,832          | (6,792)               | 109,624   |
| Contractual services                     | 75,000                  | 135,000          | 105,320               | 29,680  |
| Materials and supplies                   | 37,800                  | 37,800           | 8,578                 | 29,222  |
| Other charges                            | 28,000                  | 11,335           | 2,906                 | 8,429   |
| Capital outlay                           | 3,000                   | 3,000            | 320                   | 2,680   |
|  | <u>306,632</u>          | <u>289,967</u>   | <u>110,332</u>        | <u>179,635</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, 2019

|                                       | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------|-------------------------|------------------|-----------------------|---|
|                                       | <u>Original</u>         | <u>Final</u>     |                       |   |
| Personnel                             |                         |                  |                       |   |
| Materials and supplies                | \$ 5,000                | \$ 5,000         | \$ 4,488              | \$ 512  |
| Other charges                         | 1,500                   | 1,500            | -                     | 1,500   |
| Capital outlay                        | 150                     | 150              | -                     | 150   |
|                                       | <u>6,650</u>            | <u>6,650</u>     | <u>4,488</u>          | <u>2,162</u>  |
| Total general government              | 2,302,095               | 2,845,990        | 2,411,983             | 434,007   |
| <b>PUBLIC SAFETY</b>                  |                         |                  |                       |   |
| Police Department                     |                         |                  |                       |   |
| Personnel costs                       | 2,518,828               | 2,597,367        | 2,597,360             | 7   |
| Contractual services                  | 9,900                   | 9,900            | 9,900                 | -   |
| Materials and supplies                | 260,250                 | 280,043          | 280,040               | 3   |
| Other charges                         | 107,550                 | 102,001          | 101,998               | 3   |
| Capital outlay                        | 22,000                  | 11,742           | 11,741                | 1   |
|                                       | <u>2,918,528</u>        | <u>3,001,053</u> | <u>3,001,039</u>      | <u>14</u>   |
| Fire Department                       |                         |                  |                       |   |
| Personnel costs                       | 1,829,542               | 1,881,582        | 1,881,578             | 4   |
| Contractual services                  | 767,378                 | 717,378          | 717,378               | -   |
| Materials and supplies                | 152,500                 | 129,656          | 129,647               | 9   |
| Other charges                         | 70,600                  | 85,350           | 85,348                | 2   |
| Capital outlay                        | 23,805                  | 23,784           | 23,783                | 1   |
|                                       | <u>2,843,825</u>        | <u>2,837,750</u> | <u>2,837,734</u>      | <u>16</u>   |
| Total public safety                   | 5,762,353               | 5,838,803        | 5,838,773             | 30  |
| <b>TRANSPORTATION AND ENVIRONMENT</b> |                         |                  |                       |   |
| Public Works                          |                         |                  |                       |   |
| Personnel costs                       | 688,471                 | 687,971          | 572,203               | 115,768   |
| Materials and supplies                | 92,600                  | 92,600           | 54,872                | 37,728  |
| Other charges                         | 26,320                  | 26,820           | 21,050                | 5,770   |
| Capital outlay                        | 21,500                  | 122,514          | 109,882               | 12,632  |
|                                       | <u>828,891</u>          | <u>929,905</u>   | <u>758,007</u>        | <u>171,898</u>  |
| Total transportation and environment  | 828,891                 | 929,905          | 758,007               | 171,898   |
| <b>COMMUNITY SERVICES</b>             |                         |                  |                       |   |
| Library                               |                         |                  |                       |   |
| Contractual services                  | 332,191                 | 330,695          | 330,355               | 340   |
| Materials and supplies                | 10,200                  | 150,932          | 150,434               | 498   |
| Other charges                         | 25,000                  | 24,635           | 21,546                | 3,089   |
|                                       | <u>367,391</u>          | <u>506,262</u>   | <u>502,335</u>        | <u>3,927</u>  |

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The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2019

|  | <u>Budgeted Amounts</u> |                    | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>       |                       |   |
| Arts, Recreation, and Parks                                      |                         |                    |                       |   |
| Personnel costs  | \$ 545,067              | \$ 543,442         | \$ 425,583            | \$ 117,859  |
| Contractual services   | 44,000                  | 39,903             | 23,014                | 16,889  |
| Materials and supplies   | 145,850                 | 149,350            | 111,060               | 38,290  |
| Other charges  | 155,200                 | 156,003            | 115,289               | 40,714  |
| Grants   | 20,000                  | 20,000             | 20,000                | -   |
| Capital outlay   | 16,000                  | 16,000             | 5,675                 | 10,325  |
|  | <u>926,117</u>          | <u>924,698</u>     | <u>700,621</u>        | <u>224,077</u>  |
| Total community services   | 1,293,508               | 1,430,960          | 1,202,956             | 228,004   |
| <b>DEBT SERVICE</b>  |                         |                    |                       |   |
| Principal  | 574,000                 | 574,000            | 574,000               | -   |
| Interest and fiscal charges                                      | 369,989                 | 319,570            | 294,655               | 24,915  |
| Total debt service   | <u>943,989</u>          | <u>893,570</u>     | <u>868,655</u>        | <u>24,915</u>   |
| <b>Total Expenditures</b>  | <u>11,130,836</u>       | <u>11,939,228</u>  | <u>11,080,374</u>     | <u>858,854</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | 1,262,174               | 1,262,174          | 2,441,886             | 1,179,712   |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                         |                    |                       |   |
| Sale of capital assets   | 25,000                  | 25,000             | 2,715                 | (22,285)  |
| Transfers out  | <u>(1,287,174)</u>      | <u>(1,287,174)</u> | <u>(1,030,219)</u>    | <u>256,955</u>  |
| <b>Total Other Financing Sources (Uses)</b>                      | <u>(1,262,174)</u>      | <u>(1,262,174)</u> | <u>(1,027,504)</u>    | <u>234,670</u>  |
| Net change in fund balances                                      | <u>\$ -</u>             | <u>\$ -</u>        | 1,414,382             | <u>\$ 1,414,382</u>                                     |
| Fund balances - beginning  |                         |                    | <u>8,158,999</u>      |   |
| Fund balances - ending   |                         |                    | <u>\$ 9,573,381</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, 2019

|  | <u>Budgeted Amounts</u> |                   | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|-------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                       |   |
| <b>REVENUES</b>                          |                         |                   |                       |   |
| <b>PROPERTY TAXES</b>                    |                         |                   |                       |   |
| Current property tax                     | \$ 6,356,000            | \$ 6,425,071      | \$ 6,384,471          | \$ (40,600)   |
| Trustee's collection - prior yrs         | 115,000                 | 105,155           | 121,798               | 16,643  |
| Circuit clerk collection prior yrs       | 78,000                  | 55,063            | 62,853                | 7,790   |
| Payments in lieu of taxes                | 108,000                 | 108,967           | 108,967               | -   |
|  | <u>6,657,000</u>        | <u>6,694,256</u>  | <u>6,678,089</u>      | <u>(16,167)</u>   |
| <b>LOCAL TAXES</b>                       |                         |                   |                       |   |
| Local option sales tax                   | 2,680,000               | 2,602,260         | 2,919,576             | 317,316   |
| Wheel tax                                | 583,000                 | 631,603           | 670,767               | 39,164  |
| Mixed drink tax                          | 33,000                  | 40,629            | 42,996                | 2,367   |
|  | <u>3,296,000</u>        | <u>3,274,492</u>  | <u>3,633,339</u>      | <u>358,847</u>  |
| <b>INTERGOVERNMENTAL</b>                 |                         |                   |                       |   |
| Regular education funds                  |                         |                   |                       |   |
| Basic education program                  | 12,800,000              | 13,047,000        | 13,043,464            | (3,536)   |
| Early childhood education                | 267,844                 | 280,002           | 280,724               | 722   |
| Other state education funds              | -                       | 10,000            | 9,991                 | (9)   |
| Coordinated school health                | 80,000                  | 80,000            | 79,822                | (178)   |
| Career ladder program                    | 34,400                  | 37,908            | 39,090                | 1,182   |
|  | <u>13,182,244</u>       | <u>13,454,910</u> | <u>13,453,091</u>     | <u>(1,819)</u>  |
| <b>FEDERAL, STATE, AND OTHER GRANTS</b>  |                         |                   |                       |   |
| E-rate funding                           | 210,000                 | 259,787           | 286,020               | 26,233  |
| Public Law 874 - Maintenance & Operation | 80,000                  | 97,234            | 97,235                | 1   |
| Rotc reimbursement                       | 90,000                  | 99,030            | 75,814                | (23,216)  |
| Special education grant to state         | -                       | 25,749            | 25,749                | -   |
| Safe school grant                        | 13,190                  | 92,390            | 92,390                | -   |
| Other state revenues                     | 29,612                  | 30,793            | 32,993                | 2,200   |
|  | <u>422,802</u>          | <u>604,983</u>    | <u>610,201</u>        | <u>5,218</u>  |
| <b>OTHER</b>                             |                         |                   |                       |   |
| Recurring items:                         |                         |                   |                       |   |
| Investment income                        | 3,500                   | 4,171             | 50,143                | 45,972  |
| Lease/rentals                            | 5,000                   | 23,531            | 25,181                | 1,650   |
| Nonrecurring items:                      |                         |                   |                       |   |
| Damages recovered from individuals       | -                       | 125               | 4,159                 | 4,034   |
| Contributions and gifts                  | -                       | 350               | 2,750                 | 2,400   |
| Other - Donations                        | -                       | 367               | 3,923                 | 3,556   |
| Insurance Recovery                       | -                       | 1,185             | 1,185                 | -   |
| Other local revenue                      | 210,000                 | 224,744           | 224,888               | 144   |
|  | <u>218,500</u>          | <u>254,473</u>    | <u>312,229</u>        | <u>57,756</u>   |
| <b>Total Revenues</b>                    | <b>23,776,546</b>       | <b>24,283,114</b> | <b>24,686,949</b>     | <b>807,670</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, 2019

|                                  | <u>Budgeted Amounts</u> |                   | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------|-----------------------|---|
|                                  | <u>Original</u>         | <u>Final</u>      |                       |   |
| <b>EXPENDITURES</b>              |                         |                   |                       |   |
| <b>EDUCATION</b>                 |                         |                   |                       |   |
| Instruction                      |                         |                   |                       |   |
| Regular instruction:             |                         |                   |                       |   |
| Personnel costs                  | \$ 9,782,311            | \$ 9,642,831      | \$ 9,602,850          | \$ 39,981   |
| Contractual services             | 225,200                 | 193,046           | 193,023               | 23  |
| Materials and supplies           | 146,010                 | 335,240           | 335,170               | 70  |
| Other charges                    | 79,500                  | 44,062            | 44,062                | -   |
| Equipment                        | 103,250                 | 261,062           | 260,775               | 287   |
| Total regular instruction:       | 10,336,271              | 10,476,241        | 10,435,880            | 40,361  |
| Alternative school:              |                         |                   |                       |   |
| Personnel costs                  | 134,455                 | 108,356           | 107,977               | 379   |
| Contractual services             | 7,000                   | 17,696            | 17,385                | 311   |
| Materials and supplies           | 500                     | 500               | 500                   | -   |
| Total alternative school:        | 141,955                 | 126,552           | 125,862               | 690   |
| Special education program:       |                         |                   |                       |   |
| Personnel costs                  | 1,321,434               | 1,291,160         | 1,285,361             | 5,799   |
| Contractual services             | 185,652                 | 202,770           | 201,710               | 1,060   |
| Materials and supplies           | 6,400                   | 2,375             | 1,098                 | 1,277   |
| Equipment                        | 1,200                   | 1,600             | 355                   | 1,245   |
| Total special education program: | 1,514,686               | 1,497,905         | 1,488,524             | 9,381   |
| Vocational education:            |                         |                   |                       |   |
| Personnel costs                  | 983,647                 | 909,951           | 905,540               | 4,411   |
| Contractual services             | 6,000                   | 17,901            | 17,901                | -   |
| Materials and supplies           | 5,000                   | 13,127            | 12,190                | 937   |
| Other charges                    | 1,000                   | -                 | -                     | -   |
| Total vocational education:      | 995,647                 | 940,979           | 935,631               | 5,348   |
| <b>Total instructional:</b>      | <b>12,988,559</b>       | <b>13,041,677</b> | <b>12,985,897</b>     | <b>55,780</b>   |
| Support services                 |                         |                   |                       |   |
| Health services:                 |                         |                   |                       |   |
| Personnel costs                  | 66,513                  | 66,218            | 66,192                | 26  |
| Contractual services             | 154,350                 | 162,374           | 162,374               | -   |
| Materials and supplies           | 5,000                   | 5,240             | 5,238                 | 2   |
| Other charges                    | 10,500                  | 4,497             | 4,497                 | -   |
| Equipment                        | 3,729                   | 6,057             | 5,905                 | 152   |
| Total health services:           | 240,092                 | 244,386           | 244,206               | 180   |
| Other student support:           |                         |                   |                       |   |
| Personnel costs                  | 588,572                 | 600,780           | 596,897               | 3,883   |
| Contractual services             | 13,330                  | 26,400            | 26,400                | -   |
| Materials and supplies           | 3,750                   | 22,711            | 22,531                | 180   |
| Other charges                    | 14,795                  | 4,719             | 4,319                 | 400   |
| Equipment                        | 1,500                   | -                 | -                     | -   |
| Total other student support:     | 621,947                 | 654,610           | 650,147               | 4,463   |

(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, 2019

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u> |                       |   |
| Regular instruction support:             |                         |              |                       |   |
| Personnel costs                          | \$ 585,043              | \$ 560,547   | \$ 558,592            | \$ 1,955  |
| Contractual services                     | 197,515                 | 103,607      | 103,341               | 266   |
| Materials and supplies                   | 39,796                  | 24,442       | 23,618                | 824   |
| Other charges                            | 26,700                  | 30,808       | 30,483                | 325   |
| Equipment                                | 2,100                   | 97           | -                     | 97  |
| Total regular instruction support:       | 851,154                 | 719,501      | 716,034               | 3,467   |
| Alternative education support:           |                         |              |                       |   |
| Personnel costs                          | 63,116                  | 63,913       | 63,913                | -   |
| Materials and supplies                   | 200                     | 200          | -                     | 200   |
| Total alternative education support:     | 63,316                  | 64,113       | 63,913                | 200   |
| Special education support:               |                         |              |                       |   |
| Personnel costs                          | 345,324                 | 331,049      | 328,972               | 2,077   |
| Contractual services                     | 87,770                  | 73,141       | 73,141                | -   |
| Materials and supplies                   | 3,000                   | 3,000        | 2,999                 | 1   |
| Other charges                            | 5,300                   | 11,787       | 11,518                | 269   |
| Equipment                                | 5,000                   | 10,581       | 10,581                | -   |
| Total special education support:         | 446,394                 | 429,558      | 427,211               | 2,347   |
| Vocational educational support:          |                         |              |                       |   |
| Personnel costs                          | -                       | 12,463       | 12,463                | -   |
| Contractual services                     | 25,860                  | -            | -                     | -   |
| Total vocational educational support:    | 25,860                  | 12,463       | 12,463                | -   |
| Technology:                              |                         |              |                       |   |
| Personnel costs                          | 378,120                 | 432,307      | 431,890               | 417   |
| Materials and supplies                   | 4,268                   | 4,268        | 4,033                 | 235   |
| Other charges                            | 332,780                 | 359,281      | 358,510               | 771   |
| Equipment                                | 20,000                  | 36,125       | 36,124                | 1   |
| Total technology:                        | 735,168                 | 831,981      | 830,557               | 1,424   |
| Board of education:                      |                         |              |                       |   |
| Personnel costs                          | 105,843                 | 43,453       | 43,288                | 165   |
| Contractual services                     | 96,000                  | 238,983      | 238,983               | -   |
| Materials and supplies                   | 600                     | 600          | 358                   | 242   |
| Other charges                            | 115,000                 | 86,612       | 86,611                | 1   |
| Total board of education:                | 317,443                 | 369,648      | 369,240               | 408   |
| Office of the director of schools:       |                         |              |                       |   |
| Personnel costs                          | 330,904                 | 334,397      | 333,344               | 1,053   |
| Contractual services                     | 10,000                  | 3,000        | 3,000                 | -   |
| Materials and supplies                   | 5,700                   | 4,700        | 4,596                 | 104   |
| Other charges                            | 20,620                  | 20,487       | 20,487                | -   |
| Total office of the director of schools: | 367,224                 | 362,584      | 361,427               | 1,157   |

(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, 2019

|                                | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--------------------------------|-------------------------|------------------|-----------------------|---|
|                                | <u>Original</u>         | <u>Final</u>     |                       |   |
| Office of principal:           |                         |                  |                       |   |
| Personnel costs                | \$ 1,992,805            | \$ 2,088,500     | \$ 2,085,005          | \$ 3,495  |
| Contractual services           | 1,620                   | 768              | 456                   | 312   |
| Materials and supplies         | 10,550                  | 7,648            | 6,842                 | 806   |
| Other charges                  | 17,315                  | 8,865            | 8,195                 | 670   |
| Equipment                      | 3,000                   | 1,205            | 1,205                 | -   |
| Total office of principal:     | <u>2,025,290</u>        | <u>2,106,986</u> | <u>2,101,703</u>      | <u>5,283</u>  |
| Fiscal services:               |                         |                  |                       |   |
| Personnel costs                | 363,927                 | 377,777          | 377,605               | 172   |
| Contractual services           | 30,038                  | 29,298           | 28,842                | 456   |
| Materials and supplies         | 2,200                   | 2,940            | 2,672                 | 268   |
| Other charges                  | 9,693                   | 10,401           | 10,044                | 357   |
| Total fiscal services:         | <u>405,858</u>          | <u>420,416</u>   | <u>419,163</u>        | <u>1,253</u>  |
| Human services:                |                         |                  |                       |   |
| Personnel costs                | 225,431                 | 256,518          | 256,129               | 389   |
| Contractual services           | -                       | -                | -                     | -   |
| Materials and supplies         | 18,500                  | 8,013            | 8,013                 | -   |
| Other charges                  | 9,140                   | 8,934            | 8,594                 | 340   |
| Equipment                      | 800                     | 800              | 266                   | 534   |
| Total human services:          | <u>253,871</u>          | <u>274,265</u>   | <u>273,002</u>        | <u>1,263</u>  |
| Plant operations:              |                         |                  |                       |   |
| Personnel costs                | 875,736                 | 884,680          | 883,212               | 1,468   |
| Contractual services           | 28,840                  | 28,904           | 28,904                | -   |
| Materials and supplies         | 5,350                   | 4,639            | 3,183                 | 1,456   |
| Other charges                  | 796,600                 | 755,368          | 754,883               | 485   |
| Equipment                      | 1,500                   | 1,500            | 862                   | 638   |
| Total plant operations:        | <u>1,708,026</u>        | <u>1,675,091</u> | <u>1,671,044</u>      | <u>4,047</u>  |
| Plant maintenance:             |                         |                  |                       |   |
| Personnel costs                | 141,637                 | 90,951           | 90,144                | 807   |
| Contractual services           | 58,100                  | 50,129           | 50,129                | -   |
| Materials and supplies         | 2,250                   | 1,613            | 1,317                 | 296   |
| Other charges                  | 114,900                 | 151,226          | 150,295               | 931   |
| Equipment                      | 65,525                  | 137,553          | 135,997               | 1,556   |
| Total plant maintenance:       | <u>382,412</u>          | <u>431,472</u>   | <u>427,882</u>        | <u>3,590</u>  |
| Pupil transportation:          |                         |                  |                       |   |
| Contractual services           | 1,104,800               | 1,137,626        | 1,137,625             | 1   |
| Materials and supplies         | 300                     | 300              | 296                   | 4   |
| Other charges                  | 100,150                 | 99,356           | 99,206                | 150   |
| Total pupil transportation:    | <u>1,205,250</u>        | <u>1,237,282</u> | <u>1,237,127</u>      | <u>155</u>  |
| Central and other:             |                         |                  |                       |   |
| Other charges                  | 116,000                 | 103,680          | 103,136               | 544   |
| Equipment                      | 16,000                  | 14,248           | 13,890                | 358   |
| Total central and other:       | <u>132,000</u>          | <u>117,928</u>   | <u>117,026</u>        | <u>902</u>  |
| <b>Total support services:</b> | <u>9,781,305</u>        | <u>9,952,284</u> | <u>9,922,145</u>      | <u>30,139</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 BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2019

|  | <u>Budgeted Amounts</u> |                    | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>       |                       |   |
| Non-instructional  |                         |                    |                       |   |
| Early childhood education:                                       |                         |                    |                       |   |
| Personnel costs  | \$ 408,540              | \$ 418,522         | \$ 411,423            | \$ 7,099  |
| Contractual services   | 119,639                 | 107,486            | 105,392               | 2,094   |
| Materials and supplies   | 7,109                   | 11,142             | 12,917                | (1,775)   |
| Other charges  | 8,000                   | 6,100              | 3,812                 | 2,288   |
| Total early childhood education:                                 | <u>543,288</u>          | <u>543,250</u>     | <u>533,544</u>        | <u>9,706</u>  |
| Total non-instructional:   | 543,288                 | 543,250            | 533,544               | 9,706   |
| <b>DEBT SERVICE</b>  |                         |                    |                       |   |
| Principal  | 230,219                 | 242,219            | 242,219               | -   |
| Interest   | 122,523                 | 36,978             | 36,978                | -   |
| Total debt service   | <u>352,742</u>          | <u>279,197</u>     | <u>279,197</u>        | <u>-</u>  |
| <b>Total Expenditures</b>  | <u>23,665,894</u>       | <u>23,816,408</u>  | <u>23,720,783</u>     | <u>95,625</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | 110,652                 | 466,706            | 966,166               | 499,460   |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                         |                    |                       |   |
| Sale of capital assets   | -                       | -                  | -                     | -   |
| Transfers in   | 889,348                 | 809,348            | 809,348               | -   |
| Transfers out  | <u>(1,000,000)</u>      | <u>(1,276,050)</u> | <u>(1,276,050)</u>    | <u>-</u>  |
| <b>Total Other Financing Sources (Uses)</b>                      | <u>(110,652)</u>        | <u>(466,702)</u>   | <u>(466,702)</u>      | <u>-</u>  |
| Net change in fund balances                                      | <u>\$ -</u>             | <u>\$ 4</u>        | 499,464               | <u>\$ 499,460</u>                                       |
| Fund balances - beginning  |                         |                    | <u>3,964,083</u>      |   |
| Fund balances - ending   |                         |                    | <u>\$ 4,463,547</u>   |   |

The accompanying notes are an integral part of the financial statements



**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2019

|   | <b>Business-type Activities:</b> |                      | <b>Total<br/>Proprietary<br/>Funds</b> |
|---|----------------------------------|----------------------|--|
|   | <b>Enterprise Funds</b>          |                      |  |
|   | <u>Water Fund</u>                | <u>Sewer Fund</u>    |  |
| <b>ASSETS</b>   |                                  |                      |  |
| Current assets:   |                                  |                      |  |
| Cash and cash equivalents   | \$ 3,070,892                     | \$ 8,089,995         | \$ 11,160,887                          |
| Receivables   |                                  |                      |  |
| Customers   | 354,764                          | 250,435              | 605,199                                |
| Less allowance for doubtful accounts  | (165,265)                        | (116,720)            | (281,985)                              |
| Due from other governments  | 2,439                            | 369,468              | 371,907                                |
| Due from other funds  | 6,176                            | 203,337              | 209,513                                |
| Prepaid expenses  | 25,303                           | 34,791               | 60,094                                 |
| Total current assets  | <u>3,294,309</u>                 | <u>8,831,306</u>     | <u>12,125,615</u>                      |
| Noncurrent assets:  |                                  |                      |  |
| Capital assets, not being depreciated                                       | 2,407                            | 1,879,188            | 1,881,595                              |
| Capital assets, being depreciated, net                                      | 5,217,613                        | 8,305,763            | 13,523,376                             |
| Total capital assets, net   | <u>5,220,020</u>                 | <u>10,184,951</u>    | <u>15,404,971</u>                      |
| Net pension asset   | 74,360                           | 111,540              | 185,900                                |
| Total noncurrent assets   | <u>5,294,380</u>                 | <u>10,296,491</u>    | <u>15,590,871</u>                      |
| Total assets  | <u>8,588,689</u>                 | <u>19,127,797</u>    | <u>27,716,486</u>                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                       |                                  |                      |  |
| Related to pension  | 44,220                           | 66,331               | 110,551                                |
| <b>LIABILITIES</b>  |                                  |                      |  |
| Current liabilities:  |                                  |                      |  |
| Accounts payable  | 48,127                           | 43,684               | 91,811                                 |
| Due to other funds  | 1,815                            | -                    | 1,815                                  |
| Customer deposits   | 330                              | 195                  | 525                                    |
| Current portion of bonds and notes payable                                  | -                                | 130,704              | 130,704                                |
| Total current liabilities   | <u>50,272</u>                    | <u>174,583</u>       | <u>224,855</u>                         |
| Noncurrent liabilities:   |                                  |                      |  |
| Bonds and notes payable, net of<br>current portion, discounts, and premiums | -                                | 2,171,494            | 2,171,494                              |
| Accrued compensated absences  | 32,919                           | 21,209               | 54,128                                 |
| Net OPEB obligation   | 227,178                          | 355,191              | 582,369                                |
| Total noncurrent liabilities  | <u>260,097</u>                   | <u>2,547,894</u>     | <u>2,807,991</u>                       |
| Total liabilities   | <u>310,369</u>                   | <u>2,722,477</u>     | <u>3,032,846</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                  |                      |  |
| Related to pension  | <u>65,129</u>                    | <u>97,693</u>        | <u>162,822</u>                         |
| <b>NET POSITION</b>   |                                  |                      |  |
| Net investment in capital assets  | 5,220,020                        | 7,882,753            | 13,102,773                             |
| Restricted - net pension asset  | 74,360                           | 111,540              | 185,900                                |
| Unrestricted  | 2,963,031                        | 8,379,665            | 11,342,696                             |
| Total net position  | <u>\$ 8,257,411</u>              | <u>\$ 16,373,958</u> | <u>\$ 24,631,369</u>                   |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2019

|                                       | <b>Business-type Activities:</b> |                      | <b>Total<br/>Proprietary<br/>Funds</b> |
|---------------------------------------|----------------------------------|----------------------|--|
|                                       | <b>Enterprise Funds</b>          |                      |  |
|                                       | <b>Water Fund</b>                | <b>Sewer Fund</b>    |  |
| Operating Revenues:                   |                                  |                      |  |
| Metered water sales                   | \$ 1,509,702                     | \$ -                 | \$ 1,509,702                           |
| Sewer service fee                     | -                                | 2,433,890            | 2,433,890                              |
| Service connections fees              | 115,251                          | 76,835               | 192,086                                |
| Forfeited discounts                   | 27,483                           | 20,774               | 48,257                                 |
| Federal, state, and other grants      | -                                | 937,214              | 937,214                                |
| Other                                 | 3,194                            | -                    | 3,194                                  |
| Total operating revenues              | <u>1,655,630</u>                 | <u>3,468,713</u>     | <u>5,124,343</u>                       |
| Operating Expenses:                   |                                  |                      |  |
| Salaries                              | 267,396                          | 388,458              | 655,854                                |
| Benefits                              | 81,490                           | 111,332              | 192,822                                |
| Materials and supplies                | 295,300                          | 103,028              | 398,328                                |
| Pumping and filtering                 | 143,730                          | 196,956              | 340,686                                |
| Professional services                 | 37,351                           | 66,649               | 104,000                                |
| Other services and charges            | 75,551                           | 78,096               | 153,647                                |
| Depreciation                          | 275,681                          | 547,847              | 823,528                                |
| Total operating expenses              | <u>1,176,499</u>                 | <u>1,492,366</u>     | <u>2,668,865</u>                       |
| Operating income                      | 479,131                          | 1,976,347            | 2,455,478                              |
| Nonoperating Revenues (Expenses):     |                                  |                      |  |
| Interest                              | 1,455                            | 67,924               | 69,379                                 |
| Bond interest and fiscal charges      | -                                | (35,340)             | (35,340)                               |
| Gain (loss) on sale of capital assets | -                                | 601                  | 601                                    |
| Total nonoperating revenues           | <u>1,455</u>                     | <u>33,185</u>        | <u>34,640</u>                          |
| Change in net position                | 480,586                          | 2,009,532            | 2,490,118                              |
| Total net position - beginning        | <u>7,776,825</u>                 | <u>14,364,426</u>    | <u>22,141,251</u>                      |
| Total net position - ending           | <u>\$ 8,257,411</u>              | <u>\$ 16,373,958</u> | <u>\$ 24,631,369</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, 2019

|   | <b>Business-type Activities:</b> |                   | <b>Total<br/>Proprietary<br/>Funds</b> |
|---|----------------------------------|-------------------|--|
|   | <b>Enterprise Funds</b>          |                   |  |
|   | <b>Water Fund</b>                | <b>Sewer Fund</b> |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |                   |  |
| Receipts from customers and users   | \$ 1,651,825                     | \$ 2,270,489      | \$ 3,922,314                           |
| Payments to suppliers   | (553,148)                        | (487,589)         | (1,040,737)                            |
| Payments to employees   | (376,165)                        | (531,032)         | (907,197)                              |
| Net cash provided by operating activities   | 723,403                          | 2,189,082         | 2,912,485                              |
| <b>CASH FLOW FROM (USED FOR) NONCAPITAL<br/>FINANCING ACTIVITIES</b>                              |                                  |                   |  |
| Payment (to) from other fund  | 14,207                           | (199,000)         | (184,793)                              |
| <b>CASH FLOW FROM (USED FOR) CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>                     |                                  |                   |  |
| Purchases of capital assets   | -                                | (1,077,685)       | (1,077,685)                            |
| Proceeds from sale of capital assets  | -                                | 601               | 601                                    |
| Principal paid on capital debt  | -                                | (128,880)         | (128,880)                              |
| Interest paid on capital debt   | -                                | (35,340)          | (35,340)                               |
| Net cash from (used for) capital and related<br>financing activities                              | -                                | (1,241,304)       | (1,241,304)                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                  |                   |  |
| Interest income   | 1,455                            | 67,924            | 69,379                                 |
| Net increase in cash and cash equivalents   | 739,065                          | 816,702           | 1,555,767                              |
| Cash and cash equivalents - beginning of the year   | 2,331,827                        | 7,273,293         | 9,605,120                              |
| Cash and cash equivalents - end of the year   | \$ 3,070,892                     | \$ 8,089,995      | \$ 11,160,887                          |
| <b>Reconciliation of operating income to net cash<br/>from operating activities:</b>              |                                  |                   |  |
| Operating income  | \$ 479,131                       | \$ 1,976,347      | \$ 2,455,478                           |
| Adjustments to reconcile operating income to<br>net cash provided (used) by operating activities: |                                  |                   |  |
| Depreciation  | 275,681                          | 547,847           | 823,528                                |
| Pension expense in excess of employer contributions   | (25,899)                         | (41,128)          | (67,027)                               |
| OPEB expense in excess of employer contributions  | 4,328                            | 23,811            | 28,139                                 |
| Change in assets and liabilities  |                                  |                   |  |
| Receivables   | (614)                            | (243,379)         | (243,993)                              |
| Prepaid expenses  | (587)                            | (6,825)           | (7,412)                                |
| Accounts payable  | (629)                            | (36,035)          | (36,664)                               |
| Accrued compensated absences  | (5,708)                          | (13,925)          | (19,633)                               |
| Customer deposits   | (2,300)                          | -                 | (2,300)                                |
| Unearned revenues   | -                                | (17,631)          | (17,631)                               |
| Net cash provided by operating activities   | \$ 723,403                       | \$ 2,189,082      | \$ 2,912,485                           |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2019

|                             | <b>School<br/>OPEB<br/>Fund</b> | <b>Agency<br/>Funds</b>  |
|-----------------------------|---------------------------------|--------------------------|
| <b>ASSETS</b>               |                                 |                          |
| Cash and cash equivalents   | \$ 4,815                        | \$ 361,401               |
| Inventory                   | -                               | 3,368                    |
| Investments, at fair value: |                                 |                          |
| Fixed income                | 91,151                          | -                        |
| Domestic equities           | 130,824                         | -                        |
| International equities      | 67,218                          | -                        |
| Total investments           | <u>289,193</u>                  | <u>-</u>                 |
| Total assets                | 294,008                         | <u><u>\$ 364,769</u></u> |
| <b>LIABILITIES</b>          |                                 |                          |
| Due to student general fund | -                               | \$ 193,034               |
| Due to student groups       | <u>-</u>                        | <u>171,735</u>           |
| Total liabilities           | <u>-</u>                        | <u><u>\$ 364,769</u></u> |
| <b>NET POSITION</b>         |                                 |                          |
| Restricted for OPEB         | <u>294,008</u>                  |                          |
| Total net position          | <u><u>\$ 294,008</u></u>        |                          |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
For the Year Ended June 30, 2019

|   | <b>School<br/>OPEB<br/>Fund</b> |
|---|---------------------------------|
| <b>ADDITIONS</b>                              |                                 |
| Employer contributions                        | \$ 65,591                       |
| Investment earnings (losses):                 |                                 |
| Net appreciation in fair value of investments | 4,289                           |
| Interest and dividends                        | 11,292                          |
| Total investment earnings                     | <u>15,581</u>                   |
| Total additions                               | 81,172                          |
| <b>DEDUCTIONS</b>                             |                                 |
| Benefits                                      | 65,591                          |
| Administrative expense                        | 1,198                           |
| Total deductions                              | <u>66,789</u>                   |
| Change in net position                        | 14,383                          |
| Net position - beginning of the year          | <u>279,625</u>                  |
| Net position - end of the year                | <u><u>\$ 294,008</u></u>        |

The accompanying notes are an integral part of the financial statements

**CITY OF MILLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Millington, Tennessee (the "City") was incorporated in 1903 and operates under a City Charter enacted in 1903 with various amendments ending in 2016. The City operates under a Board of Mayor and Aldermen form of government and provides the following services as authorized by its charter: public health and safety, streets, sanitation, water and sewage, recreation, and general administrative services.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as codified by the Governmental Accounting Standards Board ("GASB"). The financial statements present the government and its component units, entities for which the government is considered to be financially accountable. However, currently there are no component units. The financial statements of the City include the financial statements of the Millington Municipal Schools Board of Education (the "Schools"). The City has determined that the School's general purpose fund, federal projects fund, and cafeteria fund are each reported as special revenue funds of the City. The School's capital projects fund is a capital projects fund of the City. The School's OPEB fund and student activity funds are fiduciary funds of the City. The School also issues separate financial statements which can be obtained by contacting the Millington Municipal Schools Board of Education.

**B. Basis of Presentation**

*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 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

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

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

*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, 2019, 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 an Other Postemployment Benefits Fund (“School OPEB Fund”) to account for activity related to retiree group health and dental benefits.
- b. **Agency Funds** – This fund reports resources held by the School in a purely custodial capacity. The School Activity Funds are used to account for cash and inventory held by MMS on behalf of the school activity funds for individual schools. These funds were audited in a separate report and can be obtained by contacting the Millington Municipal Schools Board of Education.

### **C. Measurement Focus and Basis of Accounting**

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

#### *Measurement Focus*

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

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

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

#### *Basis of Accounting*

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



## **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 uncollectibles.

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

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31<sup>st</sup>). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30<sup>th</sup>. Delinquent taxes estimated to be collected subsequent to August 31<sup>st</sup> are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2019. 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)**

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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 purpose of 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 measureable at year-end but were not available to finance expenditures for the current year. Deferred inflows of resources include those related to unavailable revenue from property taxes and those related to pension and OPEB changes.

## 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 classification consist of the following five components, as applicable:

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

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

**Committed** – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Aldermen or the Millington Municipal Schools Board of Education. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

**Assigned** – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee authorized by the Board of Mayor and Aldermen with authority to assign amounts. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. At this time the Board of Education has maintained the authorization to assign fund balance for the School. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund are reported as assigned fund balance.

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

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

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

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

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

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

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

### *12. Fair Value Measurements*

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. 82, *Certain Asset Retirement Obligations* which requires accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. As of June 30, 2019, the City of Millington has not identified asset retirement obligations that have been incurred.

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 2020. 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. 89, *Accounting for Interest Cost Incurred before the End of the Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements are effective for fiscal periods beginning after December 15, 2019, with early implementation encouraged. The City of Millington implemented the new standard as of June 30, 2019.

## **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, 2019, no fund's expenditures exceeded appropriations and as of fiscal year end none of the funds had a deficit fund balance.

## **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, 2019, 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

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 \$2,000,000 consist of certificates of deposit (at cost) as of June 30, 2018. Investments with a maturity date within three months of the date acquired, if any, are considered to be cash equivalents. Other than short-term investments of certificates of deposits which are considered as cash equivalents, the primary government held no investments.

### B. 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/2019/ag18092.pdf>. The following table summarizes fair value disclosures and measurements for Bartlett School’s investments held by the TRGT on its behalf June 30, 2019:

| Investments at Fair Value               | Total     | Level 1   | Level 2   | Level 3  |
|---|-----------|-----------|-----------|----------|
| Domestic equities                       | \$ 16,387 | \$ 16,387 | \$ -      | \$ -     |
| Developed market international equity   | 7,400     | 7,400     | -         | -        |
| Emerging market international equity    | 2,114     | 2,114     | -         | -        |
| Domestic fixed income                   | 10,572    | -         | 10,572    | -        |
| Short-term securities                   | 529       | -         | 529       | -        |
| Real estate                             | 5,286     | -         | -         | 5,286    |
|   | \$ 42,288 | \$ 25,901 | \$ 11,101 | \$ 5,286 |
| <br>                                    |           |           |           |          |
| Investments at amortized cost using NAV |           |           |           |          |
| Private equity and strategic lending    | 10,572    |           |           |          |
| Total restricted investments            | \$ 52,860 |           |           |          |

## NOTE 4 – INVESTMENTS (CONTINUED)

### 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, 2019:

| Investments at Fair Value           | Total             | Level 1           | Level 2     | Level 3     |
|-------------------------------------|-------------------|-------------------|-------------|-------------|
| Fixed income mutual funds           | \$ 91,151         | \$ 91,151         | \$ -        | \$ -        |
| Domestic equities mutual funds      | 130,824           | 130,824           | -           | -           |
| International equities mutual funds | 67,218            | 67,218            | -           | -           |
| Total fiduciary investments         | <u>\$ 289,193</u> | <u>\$ 289,193</u> | <u>\$ -</u> | <u>\$ -</u> |

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, 2019:

- *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)**

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, 2019.

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**

The composition of interfund balances as of June 30, 2019, is as follows:

|                           | Due From: | Due To: |
|---------------------------|-----------|---------|
| <b>Major Funds</b>        |           |         |
| General Fund              |           |         |
| Capital Improvements Fund | \$ 1,443  | \$ -    |
| Water Fund                | 1,079     | -       |
| Sewer Fund                | -         | 202,601 |
| State Street Aid Fund     | -         | 28,894  |
| Sanitation Fund           | 4,392     | -       |
| DEA Drug Fund             | 415       | -       |
|                           | 7,329     | 231,495 |
| Capital Improvements Fund |           |         |
| General Fund              | -         | 1,443   |
| Water Fund                |           |         |
| General Fund              | -         | 1,079   |
| Sewer Fund                | -         | 736     |
| Sanitation Fund           | 5,117     | -       |
| Storm Water Fund          | 1,059     | -       |
|                           | 6,176     | 1,815   |
| Sewer Fund                |           |         |
| General Fund              | 202,601   | -       |
| Water Fund                | 736       | -       |
|                           | 203,337   | -       |
| Total major funds         | 216,842   | 234,753 |

**NOTE 5 – INTERFUND TRANSACTIONS (CONTINUED)**

|                                     | <u>Due From:</u>  | <u>Due To:</u>    |
|-------------------------------------|-------------------|-------------------|
| <b>Nonmajor Funds</b>               |                   |                   |
| State Street Aid Fund               |                   |                   |
| General Fund                        | \$ 28,894         | \$ -              |
| Stormwater Fund                     |                   |                   |
| Water Fund                          | -                 | 1,059             |
| DEA Drug Fund                       |                   |                   |
| General Fund                        | -                 | 415               |
| Sanitation Fund                     |                   |                   |
| General Fund                        | -                 | 4,392             |
| Water Fund                          | -                 | 5,117             |
|                                     | <u>-</u>          | <u>9,509</u>      |
| Total nonmajor funds                | <u>28,894</u>     | <u>10,983</u>     |
| Total interfund receivable/payables | <u>\$ 245,736</u> | <u>\$ 245,736</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, 2019 is as follows:

|                              | <u>Transfers In:</u> | <u>Transfers Out:</u> |
|------------------------------|----------------------|-----------------------|
| <b>Major Funds</b>           |                      |                       |
| General Fund                 |                      |                       |
| Capital Projects Fund        | \$ -                 | \$ 300,000            |
| General Purpose School Fund  |                      | 730,219               |
|                              | <u>-</u>             | <u>1,030,219</u>      |
| General Purpose School Fund  |                      |                       |
| General Fund                 | 730,219              | -                     |
| School Capital Projects Fund | -                    | 1,276,050             |
| Federal Projects Fund        | 79,129               | -                     |
|                              | <u>809,348</u>       | <u>1,276,050</u>      |
| Capital Projects Fund        |                      |                       |
| General Fund                 | 300,000              | -                     |
| School Capital Projects Fund | -                    | 2,000,000             |
|                              | <u>300,000</u>       | <u>2,000,000</u>      |
| School Capital Projects Fund |                      |                       |
| General Purpose School Fund  | 1,276,050            | -                     |
| Capital Projects Fund        | 2,000,000            | -                     |
| Total major funds            | <u>2,385,398</u>     | <u>4,306,269</u>      |
| <b>Nonmajor Funds</b>        |                      |                       |
| Federal Projects Fund        |                      |                       |
| General Purpose School Fund  | -                    | 79,129                |
|                              | <u>-</u>             | <u>79,129</u>         |
|                              | <u>\$ 4,385,398</u>  | <u>\$ 4,385,398</u>   |

There were no transfers in or out of proprietary funds during the fiscal year ended June 30, 2019. Transfers out of the major funds and nonmajor governmental funds generally represent debt service, cost allocation, and capital improvement project funding.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

|  | Beginning<br>Balance | Increases           | Decreases             | Ending<br>Balance    |
|--|----------------------|---------------------|-----------------------|----------------------|
| <b>Governmental activities:</b>              |                      |                     |                       |                      |
| Capital assets, not being depreciated:       |                      |                     |                       |                      |
| Land   | \$ 6,279,380         | \$ 625,705          | \$ (27,680)           | \$ 6,877,405         |
| Construction in progress                     | 2,838,024            | 8,146,299           | (922,912)             | 10,061,411           |
| Total capital assets, not being depreciated  | 9,117,404            | 8,772,004           | (950,592)             | 16,938,816           |
| Capital assets, being depreciated:           |                      |                     |                       |                      |
| Buildings and improvements                   | 57,372,865           | 721,059             | -                     | 58,093,924           |
| Furnishings and equipment                    | 2,158,038            | 91,606              | (122,000)             | 2,127,644            |
| Vehicles                                     | 4,311,946            | 340,415             | (207,485)             | 4,444,876            |
| Infrastructure                               | 35,778,038           | 12,258              | -                     | 35,790,296           |
| Total capital assets, being depreciated      | 99,620,887           | 1,165,338           | (329,485)             | 100,456,740          |
| Less accumulated depreciation for:           |                      |                     |                       |                      |
| Buildings and improvements                   | (9,164,917)          | (1,314,683)         | -                     | (10,479,600)         |
| Furnishings and equipment                    | (1,248,405)          | (117,951)           | 24,908                | (1,341,448)          |
| Vehicles                                     | (3,199,716)          | (341,958)           | 204,485               | (3,337,189)          |
| Infrastructure                               | (2,787,666)          | (839,972)           | -                     | (3,627,638)          |
| Total accumulated depreciation               | (16,400,704)         | (2,614,564)         | 229,393               | (18,785,875)         |
| Total capital assets, being depreciated, net | 83,220,183           | (1,449,226)         | (100,092)             | 81,670,865           |
| Governmental activities capital assets, net  | <u>\$ 92,337,587</u> | <u>\$ 7,322,778</u> | <u>\$ (1,050,684)</u> | <u>\$ 98,609,681</u> |
| <b>Business-type activities:</b>             |                      |                     |                       |                      |
| Capital assets, not being depreciated:       |                      |                     |                       |                      |
| Land   | \$ 726,949           | \$ -                | \$ -                  | \$ 726,949           |
| Construction in progress                     | 359,423              | 1,049,744           | (254,521)             | 1,154,646            |
| Total capital assets, not being depreciated  | 1,086,372            | 1,049,744           | (254,521)             | 1,881,595            |
| Capital assets, being depreciated:           |                      |                     |                       |                      |
| Buildings and improvements                   | 28,750,680           | 254,521             | -                     | 29,005,201           |
| Furnishings and equipment                    | 3,898,046            | -                   | -                     | 3,898,046            |
| Vehicles                                     | 761,689              | 27,941              | -                     | 789,630              |
| Total capital assets, being depreciated      | 33,410,415           | 282,462             | -                     | 33,692,877           |
| Less accumulated depreciation for:           |                      |                     |                       |                      |
| Buildings and improvements                   | (15,096,682)         | (759,596)           | -                     | (15,856,278)         |
| Furnishings and equipment                    | (3,663,630)          | (17,617)            | -                     | (3,681,247)          |
| Vehicles                                     | (585,661)            | (46,315)            | -                     | (631,976)            |
| Total accumulated depreciation               | (19,345,973)         | (823,528)           | -                     | (20,169,501)         |
| Total capital assets, being depreciated, net | 14,064,442           | (541,066)           | -                     | 13,523,376           |
| Business-type activities capital assets, net | <u>\$ 15,150,814</u> | <u>\$ 508,678</u>   | <u>\$ (254,521)</u>   | <u>\$ 15,404,971</u> |

## NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

|   |                     |
|---|---------------------|
| Governmental Activities:                              |                     |
| General government                                    | \$ 84,830           |
| Public safety   | 259,318             |
| Transportation and environment                        | 1,047,095           |
| Community services                                    | 73,751              |
| Education   | 1,149,570           |
| Total depreciation expense - governmental activities  | <u>\$ 2,614,564</u> |
| Business-type Activities:                             |                     |
| Water   | \$ 275,681          |
| Sewer   | 547,847             |
| Total depreciation expense - business-type activities | <u>\$ 823,528</u>   |

## NOTE 7 – LONG-TERM LIABILITIES

### 1. Long-Term Debt

#### Notes payable

The City periodically issues debt for the acquisition, construction, and improvement of major capital facilities and infrastructure. At June 30, 2019, the City had outstanding a general obligation capital outlay note, loans issued through the Local Government Loan Program and administered through the Tennessee Municipal Bond Fund, and a loan issued through the State Revolving Loan Fund. The debt is generally issued as 10 to 25-year amortizing loans with varying interest rates. The City is not subject to any state or other law that limits the amount of net bonded debt a City may have outstanding; therefore, there is no legal debt margin or computation thereof. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation and construction loan principal and interest.

Debt outstanding as of June 30, 2019 consisted of the following:

|   | Interest Rates | Maturity Date | Original Issue       | Balance Outstanding at Year End |
|---|----------------|---------------|----------------------|---------------------------------|
| Governmental activities:                                    |                |               |                      |                                 |
| General obligation capital outlay note                      | 3.78%          | 2020          | \$ 1,000,000         | \$ 231,000                      |
| Local government loan program                               |                |               |                      |                                 |
| Series 2011 note payable                                    | 3.29           | 2036          | 5,000,000            | 3,933,000                       |
| Series 2013 note payable                                    | 2.90           | 2033          | 1,150,000            | 868,000                         |
| Series 2015 note payable                                    | 3.02           | 2035          | 6,000,000            | 3,906,009                       |
| Series 2018 note payable<br>(Millington School System loan) | 4.16           | 2039          | 2,000,000            | 2,000,000                       |
|   |                |               | <u>14,150,000</u>    | <u>10,707,009</u>               |
|   |                |               | <u>\$ 15,150,000</u> | <u>\$ 10,938,009</u>            |
| Business-type activities:                                   |                |               |                      |                                 |
| State revolving loan fund                                   | 1.41           | 2035          | \$ 2,827,400         | \$ 2,302,198                    |

The Series 2015 note payable has \$1,497,091 available for draw as of June 30, 2019.

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

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

| Years Ending<br>June 30 | Governmental Activities |                     | Business-Type Activities |                   |
|-------------------------|-------------------------|---------------------|--------------------------|-------------------|
|                         | Principal               | Interest            | Principal                | Interest          |
| 2020                    | \$ 658,000              | \$ 357,797          | \$ 130,704               | \$ 31,620         |
| 2021                    | 679,500                 | 335,548             | 132,564                  | 29,760            |
| 2022                    | 702,000                 | 12,302              | 134,436                  | 27,888            |
| 2023                    | 723,000                 | 289,621             | 136,344                  | 25,980            |
| 2024                    | 772,000                 | 265,850             | 138,288                  | 24,036            |
| 2025-2029               | 3,730,300               | 960,104             | 721,416                  | 90,204            |
| 2030-2034               | 2,442,209               | 444,851             | 774,084                  | 37,536            |
| 2035                    | 1,231,000               | 99,281              | 134,362                  | 1,260             |
|                         | <u>\$ 10,938,009</u>    | <u>\$ 2,765,354</u> | <u>\$ 2,302,198</u>      | <u>\$ 268,284</u> |

*2. Settlement Liability*

In January 2014, the City and the School entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The School agreed to pay the Shelby County Board of Education twelve annual installments of \$230,219 for a total of \$2,762,628. The School elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.89%. Future payments under the settlement liability are as follows:

| Years Ending<br>June 30           | Amount              |
|-----------------------------------|---------------------|
| 2020                              | \$ 230,219          |
| 2021                              | 230,219             |
| 2022                              | 230,219             |
| 2023                              | 230,219             |
| 2024                              | 230,219             |
| 2024-2026                         | 460,438             |
| Total payments                    | \$ 1,611,533        |
| Less amount representing interest | (157,804)           |
|                                   | <u>\$ 1,453,729</u> |

**NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)***3. Changes in long-term liabilities*

A summary of long-term liability activity, including debt, for the year ended June 30, 2019 is as follows. Additional detailed information is available following the summary.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities:                       |                              |                     |                     |                           |                                |
| Notes payable                                  | \$ 9,512,009                 | \$ 2,000,000        | \$ (574,000)        | \$ 10,938,009             | \$ 658,000                     |
| Settlement obligation                          | 1,841,752                    | -                   | (230,219)           | 1,611,533                 | 230,219                        |
| Less deferred amounts<br>representing interest | (201,277)                    | -                   | 43,473              | (157,804)                 | -                              |
| Total long-term debt                           | <u>11,152,484</u>            | <u>2,000,000</u>    | <u>(760,746)</u>    | <u>12,391,738</u>         | <u>888,219</u>                 |
| Compensated absences                           | 378,069                      | 55,829              | (44,310)            | 389,588                   | 44,310                         |
|  | <u>\$ 11,530,553</u>         | <u>\$ 2,055,829</u> | <u>\$ (805,056)</u> | <u>\$ 12,781,326</u>      | <u>\$ 932,529</u>              |
| Business-type activities:                      |                              |                     |                     |                           |                                |
| Note payable - construction                    | \$ 2,431,078                 | \$ -                | \$ (128,880)        | \$ 2,302,198              | \$ 130,704                     |
| Compensated absences                           | 73,761                       | 6,308               | (25,941)            | 54,128                    | -                              |
|  | <u>\$ 2,504,839</u>          | <u>\$ 6,308</u>     | <u>\$ (154,821)</u> | <u>\$ 2,356,326</u>       | <u>\$ 130,704</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. For the governmental activities and business-type activities, there were no unspent debt proceeds as of June 30, 2019.

## NOTE 8 – FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

|                                 | General<br>Fund | General<br>Purpose<br>School Fund | Capital<br>Improvements<br>Fund | School<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total         |
|---------------------------------|-----------------|-----------------------------------|---------------------------------|------------------------------------|--------------------------------|---------------|
| Nonspendable for:               |                 |                                   |                                 |                                    |                                |               |
| Inventory                       | \$ 32,399       | \$ -                              | \$ -                            | \$ -                               | \$ 13,191                      | \$ 45,590     |
| Prepaid expenditures            | 196,702         | 60,450                            | -                               | -                                  | 26,589                         | 283,741       |
| Total nonspendable fund balance | 229,101         | 60,450                            | -                               | -                                  | 39,780                         | 329,331       |
| Restricted for:                 |                 |                                   |                                 |                                    |                                |               |
| Streets                         | -               | -                                 | -                               | -                                  | 126,421                        | 126,421       |
| Sanitation                      | -               | -                                 | -                               | -                                  | 547,927                        | 547,927       |
| Drug enforcement                | -               | -                                 | -                               | -                                  | 101,432                        | 101,432       |
| DEA task force                  | -               | -                                 | -                               | -                                  | 221,829                        | 221,829       |
| Drainage control                | -               | -                                 | -                               | -                                  | 250,787                        | 250,787       |
| Education                       | -               | 2,453                             | -                               | -                                  | 543,308                        | 545,761       |
| Stabilization reserve trust     | -               | 52,860                            | -                               | -                                  | -                              | 52,860        |
| Total restricted fund balance   | -               | 55,313                            | -                               | -                                  | 1,791,704                      | 1,847,017     |
| Committed for:                  |                 |                                   |                                 |                                    |                                |               |
| Financial stabilization         | 3,952,504       | -                                 | -                               | -                                  | -                              | 3,952,504     |
| Emergency                       | 1,000,000       | -                                 | -                               | -                                  | -                              | 1,000,000     |
| Library construction            | 344,267         | -                                 | -                               | -                                  | -                              | 344,267       |
| Total committed fund balance    | 5,296,771       | -                                 | -                               | -                                  | -                              | 5,296,771     |
| Assigned to:                    |                 |                                   |                                 |                                    |                                |               |
| Capital improvements            | -               | -                                 | 1,787,445                       | -                                  | -                              | 1,787,445     |
| School Capital improvements     | -               | -                                 | -                               | 3,465,326                          | -                              | 3,465,326     |
| Education                       | -               | 4,347,784                         | -                               | -                                  | -                              | 4,347,784     |
| Total assigned fund balance     | -               | 4,347,784                         | 1,787,445                       | 3,465,326                          | -                              | 9,600,555     |
| Unassigned                      |                 |                                   |                                 |                                    |                                |               |
|                                 | 4,047,509       | -                                 | -                               | -                                  | -                              | 4,047,509     |
| Total fund balances             | \$ 9,573,381    | \$ 4,463,547                      | \$ 1,787,445                    | \$ 3,465,326                       | \$ 1,831,484                   | \$ 21,121,183 |

## NOTE 9 – PENSIONS

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 publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs). Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute.

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

|                                      | Net Pension<br>Asset | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------|----------------------|--------------------------------------|-------------------------------------|
| <b>Governmental Activities</b>       |                      |                                      |                                     |
| City Plan                            | \$ 1,504,094         | \$ 894,466                           | \$ 1,317,387                        |
| School BOE Plan                      | 67,466               | 277,457                              | 48,981                              |
| Teacher Legacy Plan                  | 1,031,795            | 3,103,667                            | 1,616,535                           |
| Teacher Retirement Plan              | 115,371              | 79,433                               | 11,112                              |
| <b>Total governmental activities</b> | <u>\$ 2,718,726</u>  | <u>\$ 4,355,023</u>                  | <u>\$ 2,994,015</u>                 |
| <b>Business-type Activities</b>      |                      |                                      |                                     |
| City Plan                            | <u>\$ 185,900</u>    | <u>\$ 110,551</u>                    | <u>\$ 162,822</u>                   |



**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 are 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, 2018, the following employees were covered by the benefit terms of the agent plans:

|  | City Plan | School BOE |
|--|-----------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 95        | 5          |
| Inactive employees entitled to but not yet receiving benefits    | 178       | 19         |
| Active employees   | 136       | 87         |
|  | 409       | 111        |

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, 2019 were as follows:

|                                    | City Plan  | School BOE | Teacher Legacy | Teacher Hybrid |
|------------------------------------|------------|------------|----------------|----------------|
| Employer contributions             | \$ 536,896 | \$ 242,479 | \$ 1,034,744   | \$ 47,760      |
| Covered payroll                    | 6,012,280  | 2,715,330  | 9,892,398      | 2,461,923      |
| As a percentage of covered payroll | 8.93%      | 8.93%      | 10.46%         | 1.94%          |

## NOTE 9 – PENSIONS (CONTINUED)

### B. Assumptions

The total pension liability as of June 30, 2018 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, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

#### Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

| <u>Asset Class</u>                    | <u>Long-Term Expected<br/>Real Rate of Return</u> | <u>Target<br/>Allocation</u> |
|---------------------------------------|---|------------------------------|
| U.S. equity                           | 5.69%   | 31%                          |
| Developed market international equity | 5.29%   | 14%                          |
| Emerging market international equity  | 6.36%   | 4%                           |
| Private equity and strategic lending  | 5.79%   | 20%                          |
| U.S. fixed income                     | 2.01%   | 20%                          |
| Real estate                           | 4.32%   | 10%                          |
| Short-term securities                 | 0.00%   | 1%                           |
|                                       |   | <u>100%</u>                  |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% 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, 2018. 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  | \$ 478,485     | \$ 325,810   |                    |                |
| Interest  | 1,769,298      | 93,828       |                    |                |
| Differences between expected and actual experience    | (643,875)      | (23,654)     |                    |                |
| Benefit payments, including refunds                   | (955,479)      | (6,903)      |                    |                |
| Net change in total pension liability                 | 648,429        | 389,081      |                    |                |
| Total pension liability - beginning                   | 24,403,359     | 971,819      |                    |                |
| Total pension liability - ending                      | \$ 25,051,788  | \$ 1,360,900 |                    |                |
| Plan Fiduciary Net Position                           |                |              |                    |                |
| Contributions - employer                              | \$ 519,745     | \$ 245,496   |                    |                |
| Contributions - employee                              | -              | 118,524      |                    |                |
| Net investment income                                 | 2,066,784      | 96,097       |                    |                |
| Benefit payments                                      | (955,479)      | (6,903)      |                    |                |
| Administrative expense                                | (12,752)       | (8,022)      |                    |                |
| Net change in plan fiduciary net position             | 1,618,298      | 445,192      |                    |                |
| Plan fiduciary net position - beginning               | 25,123,484     | 983,174      |                    |                |
| Plan fiduciary net position -ending                   | \$ 26,741,782  | \$ 1,428,366 |                    |                |
| Net pension liability (asset)                         | \$ (1,689,994) | \$ (67,466)  |                    |                |
| Proportionate share of net pension liability (asset)  |                |              | \$ (1,031,795)     | \$ (115,371)   |
| Proportionate share at June 30, 2018 measurement date |                |              | 0.293214%          | 0.254385%      |
| Proportionate share at June 30, 2017 measurement date |                |              | 0.286140%          | 0.301476%      |

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%        | \$ 1,642,645 | \$ (1,689,994) | \$ (4,456,601) |
| School BOE Plan  | 7.25%        | 179,635      | (67,466)       | (265,593)      |
| Proportionate share of the net pension liability (asset) |              |              |                |                |
| Teacher Legacy Plan                                      | 7.25%        | \$ 7,953,725 | \$ (1,031,795) | \$ (8,466,061) |
| Teacher Retirement Plan                                  | 7.25%        | 17,836       | (115,371)      | (213,513)      |

**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, 2019, 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)                               | \$ (36,453)         | \$ 223,081        | \$ 288,813          | \$ 41,075        |
| Deferred Outflows of Resources   |                     |                   |                     |                  |
| Differences between expected and actual experience                       | \$ 44,591           | \$ 18,478         | \$ 208,561          | \$ 6,534         |
| Net difference between projected and actual earnings on plan investments | -                   | -                 | -                   | -                |
| Changes in assumptions   | 423,530             | 16,500            | 609,383             | 5,443            |
| Change in proportion of net pension liability (asset)                    | -                   | -                 | 1,250,979           | 19,696           |
| Contributions subsequent to the measurement date of June 30, 2018        | 536,896             | 242,479           | 1,034,744           | 47,760           |
|  | <u>\$ 1,005,017</u> | <u>\$ 277,457</u> | <u>\$ 3,103,667</u> | <u>\$ 79,433</u> |
| Deferred Inflows of Resources  |                     |                   |                     |                  |
| Differences between expected and actual experience                       | \$ 1,383,976        | \$ 31,501         | \$ 1,391,973        | \$ 4,595         |
| Net difference between projected and actual earnings on plan investments | 96,233              | 17,480            | 224,562             | 6,517            |
|  | <u>\$ 1,480,209</u> | <u>\$ 48,981</u>  | <u>\$ 1,616,535</u> | <u>\$ 11,112</u> |

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2018,” 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 |
|-----------------------|--------------|------------|----------------|----------------|
| 2020                  | \$ (137,663) | \$ (2,120) | \$ 796,868     | \$ 831         |
| 2021                  | (380,057)    | (3,302)    | 254,664        | 625            |
| 2022                  | (313,280)    | (7,325)    | (508,577)      | (304)          |
| 2023                  | (181,088)    | (1,664)    | (90,567)       | 1,399          |
| 2024                  | -            | 768        | -              | 2,267          |
| Thereafter            | -            | (360)      | -              | 15,743         |

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, 2019, the City reports payables to the City Plan, School BOE Plan, Teacher Legacy Plan, and Teacher Retirement Plan of \$39,968, \$418, \$72,624, and \$7,981, respectively, for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.

## **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, 2019, the School employer contributions to the Teacher Retirement Plan were \$133,090 of which \$10,221 was payable at year end.

### **City 457 Plan**

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

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

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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, 2018, the date of the City OPEB valuation, and June 30, 2019, the date of the School OPEB valuation, consisted of the following:

|  | City<br>OPEB Plan | School<br>OPEB Plan |
|--|-------------------|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 22                | 6                   |
| Active employees   | 85                | 169                 |
|  | 107               | 175                 |

Contributions

For the year ended June 30, 2019, 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, 2019, the School contributed an amount equal to the benefits paid. No additional amounts were paid to the trust in fiscal year 2019.

**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, 2018, using the entry age normal level percent of pay actuarial cost method applied to all periods included in the measurement and actuarially rolled forward to the measurement date of June 30, 2019. Significant actuarial assumptions used in the valuation include:

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

Discount Rate

For unfunded OPEB plans, the discount rate must be calculated using a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index. The discount rate used to measure the total OPEB liability was 3.89%.

## 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   | 7.5%  |
| Discount rate               | 3.51% including inflation   |
| Healthcare cost trend rates | 8% decreasing to an ultimate 5%, 6 year grading                               |
| Mortality table             | RHP-2017 Total Dataset Mortality Table fully generational using scale MP-2017 |

### Changes of Assumptions

In 2019, the following School OPEB assumptions included a decrease to the discount rate from 3.87% to 3.51%.

### School Investment Policy

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

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage.

The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 is summarized as follows:

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| U.S. large equity            | 34%                      | 9.20%   |
| U.S. mid equity              | 4%                       | 9.80%   |
| U.S. small equity            | 4%                       | 10.30%  |
| European equity              | 13%                      | 7.40%   |
| Japanese equity              | 2%                       | 7.40%   |
| Asian (excl. Japan) equity   | 3%                       | 9.70%   |
| Emerging market equity       | 5%                       | 11.40%  |
| Short-term fixed income      | 7%                       | 3.60%   |
| U.S. fixed income            | 23%                      | 4.80%   |
| International fixed income   | 1%                       | 4.50%   |
| Inflation protected notes    | 3%                       | 5.70%   |
| Emerging market fixed income | 1%                       | 7.10%   |
|                              | <u>100%</u>              | <u>7.55%</u>                                  |

### Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Discount Rate

The discount rate is a weighted rate based on the long term rate of return of 7.5 percent and a range of rates for 20-year tax-exempt general obligation AA municipal bonds. The discount rate used to measure the total OPEB liability was 3.51 percent.

**C. Net OPEB Liability**

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

|   | City<br>OPEB Plan | School<br>OPEB Plan |
|---|-------------------|---------------------|
| Total OPEB Liability                                  |                   |                     |
| Service cost  | \$ 151,349        | \$ 150,484          |
| Interest  | 194,938           | 115,539             |
| Changes of benefit items                              | -                 | -                   |
| Differences between expected<br>and actual experience | -                 | (118,355)           |
| Changes in assumptions                                | -                 | 121,992             |
| Benefit payments, including refunds                   | (92,861)          | (65,591)            |
| Net change in total OPEB liability                    | 253,426           | 204,069             |
| Total OPEB liability - beginning                      | 4,919,258         | 2,867,516           |
| Total OPEB liability - ending                         | \$ 5,172,684      | \$ 3,071,585        |
| Plan Fiduciary Net Position                           |                   |                     |
| Contributions - employer                              | \$ -              | \$ 65,591           |
| Net investment income                                 | -                 | 15,581              |
| Benefit payments                                      | -                 | (65,591)            |
| Administrative expense                                | -                 | (1,198)             |
| Net change in plan fiduciary net position             | -                 | 14,383              |
| Plan fiduciary net position - beginning               | -                 | 279,625             |
| Plan fiduciary net position -ending                   | \$ -              | \$ 294,008          |
| Net OPEB liability                                    | \$ 5,172,684      | \$ 2,777,577        |

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   | 3.88%        | \$ 6,082,509 | \$ 5,172,684 | \$ 4,451,484 |
| School Net OPEB liability | 3.51%        | 3,156,160    | 2,777,577    | 2,455,125    |

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   | 5.50%        | \$ 4,768,491 | \$ 5,172,684 | \$ 5,690,451 |
| School Net OPEB liability | 8% to 5%     | \$ 2,544,564 | \$ 2,777,577 | \$ 3,049,690 |



**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, 2018, the City reported OPEB expense, deferred outflows of resources, and deferred inflows of resources related to each OPEB plan from the following sources:

|  | <u>City<br/>OPEB Plan</u> | <u>School<br/>OPEB Plan</u> |
|--|---------------------------|-----------------------------|
| OPEB (negative) expense  | <u>\$ 346,287</u>         | <u>\$ 192,286</u>           |
| Deferred Outflows of Resources   |                           |                             |
| Net difference between projected and actual earnings on plan investments | \$ -                      | \$ 4,278                    |
| Changes in assumptions   | -                         | 106,743                     |
|  | <u>\$ -</u>               | <u>\$ 111,021</u>           |
| Deferred Inflows of Resources  |                           |                             |
| Differences between expected and actual experience                       | \$ -                      | \$ 223,369                  |
| Net difference between projected and actual earnings on plan investments | -                         | 2,058                       |
| Changes in assumptions   | -                         | 260,195                     |
|  | <u>\$ -</u>               | <u>\$ 485,622</u>           |

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

|            | <u>City<br/>OPEB Plan</u> | <u>School<br/>OPEB Plan</u> |
|------------|---------------------------|-----------------------------|
| 2019       | \$ -                      | \$ (54,007)                 |
| 2020       | -                         | (54,007)                    |
| 2021       | -                         | (54,007)                    |
| 2022       | -                         | (53,319)                    |
| 2023       | -                         | (54,390)                    |
| Thereafter | -                         | (104,871)                   |

## **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 \$128,050 for the year ended June 30, 2019.

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\*

|   | 2018                  | 2017                | 2016              | 2015             | 2014                |
|---|-----------------------|---------------------|-------------------|------------------|---------------------|
| <b>Total Pension Liability</b>  |                       |                     |                   |                  |                     |
| Service cost  | \$ 478,485            | \$ 442,221          | \$ 523,831        | \$ 500,187       | \$ 514,637          |
| Interest  | 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                                | (643,875)             | (494,980)           | (1,279,849)       | (179,845)        | 267,551             |
| Changes of assumptions  | -                     | 705,882             | -                 | -                | -                   |
| Benefit payments  | (955,479)             | (930,383)           | (947,999)         | (954,367)        | (944,283)           |
| Net change in total pension liability   | 648,429               | 1,443,041           | 20,227            | 1,012,286        | 1,382,026           |
| Total pension liability - beginning   | 24,403,359            | 22,960,318          | 22,940,091        | 21,927,805       | 20,545,779          |
| Total pension liability - ending  | 25,051,788            | 24,403,359          | 22,960,318        | 22,940,091       | 21,927,805          |
| <b>Plan Fiduciary Net Position</b>  |                       |                     |                   |                  |                     |
| Contributions - employer  | 519,745               | 524,639             | 469,835           | 530,147          | 511,544             |
| Net investment income   | 2,066,784             | 2,578,365           | 599,629           | 689,233          | 3,238,712           |
| Benefit payments  | (955,479)             | (930,383)           | (947,999)         | (954,367)        | (944,283)           |
| Administrative expense  | (12,752)              | (11,543)            | (10,396)          | (8,324)          | (7,143)             |
| Other   | -                     | -                   | 1,777             | -                | -                   |
| Net change in plan fiduciary net position   | 1,618,298             | 2,161,078           | 112,846           | 256,689          | 2,798,830           |
| Plan fiduciary net position - beginning   | 25,123,484            | 22,962,406          | 22,849,560        | 22,592,871       | 19,794,041          |
| Plan fiduciary net position - ending  | \$ 26,741,782         | \$ 25,123,484       | \$ 22,962,406     | \$ 22,849,560    | \$ 22,592,871       |
| <b>Net pension liability (asset)</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> | 106.75%               | 102.95%             | 100.01%           | 99.61%           | 103.03%             |
| <b>Covered payroll</b>  | \$ 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 payroll</b>           | -29.04%               | -12.77%             | -0.04%            | 1.39%            | -10.48%             |

Changes of assumptions. In 2018, 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\*

|  | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution              | \$ 529,081   | \$ 519,745   | \$ 503,733   | \$ 469,835   | \$ 530,147   | \$ 511,544   |
| Contributions                                    | 536,896      | 519,745      | 503,733      | 469,835      | 530,147      | 511,544      |
| Contribution deficiency (surplus)                | \$ (7,815)   | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered payroll                                  | \$ 6,012,280 | \$ 5,820,211 | \$ 5,642,345 | \$ 5,771,931 | \$ 6,512,864 | \$ 6,346,701 |
| Contributions as a percentage of covered payroll | 8.93%        | 8.93%        | 8.93%        | 8.14%        | 8.14%        | 8.06%        |

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

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2019 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.

**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      |
|---|----------------|---------------|---------------|--------------|-----------|
| Proportion of the net pension (asset) liability   | 0.293214%      | 0.28614%      | 0.279607%     | 0.244172%    | 0.000664% |
| Proportionate share of the net pension (asset) liability  | \$ (1,031,795) | \$ (93,621)   | \$ 1,747,388  | \$ 100,021   | \$ (108)  |
| Covered payroll   | \$ 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 payroll | -10.00%        | -0.93%        | 17.31%        | 1.09%        | -0.41%    |
| Plan fiduciary net position as a percentage of the total pension (asset) liability              | 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\*

|   | 2019             | 2018           | 2017           | 2016           | 2015           | 2014         |
|---|------------------|----------------|----------------|----------------|----------------|--------------|
| Contractually required  | \$ 1,034,744     | \$ 936,967     | \$ 914,386     | \$ 912,429     | \$ 826,309     | \$ 2,314     |
| Contribution in relation to the contractually required contribution | <u>1,034,744</u> | <u>936,967</u> | <u>914,386</u> | <u>912,429</u> | <u>826,309</u> | <u>2,314</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>  |
| Covered payroll   | \$ 9,892,398     | \$ 10,319,046  | \$ 10,023,423  | \$ 10,093,257  | \$ 9,140,585   | \$ 26,054    |
| Contributions as a percentage of covered payroll                    | 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        |
|---|--------------|--------------|--------------|-------------|
| Proportion of the net pension asset   | 0.254385%    | 0.301476%    | 0.356813%    | 0.479760%   |
| Proportionate share of the net pension asset  | \$ (115,371) | \$ (79,541)  | \$ (37,145)  | \$ (19,301) |
| Covered payroll   | \$ 2,171,160 | \$ 2,030,527 | \$ 1,569,972 | \$ 996,818  |
| Proportionate share of the net pension asset as a percentage of its covered payroll | -5.31%       | -3.92%       | -2.37%       | -1.94%      |
| Plan fiduciary net position as a percentage of the total pension liability          | 126.97%      | 126.81%      | 121.88%      | 127.46%     |

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

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



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

|   | <u>2019</u>   | <u>2018</u>        | <u>2017</u>   | <u>2016</u>   | <u>2015</u>        |
|---|---------------|--------------------|---------------|---------------|--------------------|
| Contractually required  | \$ 47,760     | \$ 36,252          | \$ 79,148     | \$ 62,800     | \$ 24,920          |
| Contribution in relation to the contractually required contribution | <u>47,760</u> | <u>88,921</u>      | <u>79,148</u> | <u>62,800</u> | <u>39,872</u>      |
| Contribution deficiency (excess)                                    | <u>\$ -</u>   | <u>\$ (52,669)</u> | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ (14,952)</u> |
| Covered payroll   | \$ 2,461,923  | \$ 2,171,160       | \$ 2,030,527  | \$ 1,569,972  | \$ 996,818         |
| Contributions as a percentage of covered payroll                    | 1.94%         | 4.10%              | 3.90%         | 4.00%         | 4.00%              |

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

*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.

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.

**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\*

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

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

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

|  | <u>2019</u>    | <u>2018</u>        | <u>2017</u>        | <u>2016</u>    | <u>2015</u>    |
|--|----------------|--------------------|--------------------|----------------|----------------|
| Actuarially determined contribution              | \$ 242,479     | \$ 225,977         | \$ 204,941         | \$ 196,318     | \$ 182,233     |
| Contributions                                    | <u>242,479</u> | <u>245,496</u>     | <u>230,248</u>     | <u>196,318</u> | <u>182,233</u> |
| Contribution deficiency (excess)                 | <u>\$ -</u>    | <u>\$ (19,519)</u> | <u>\$ (25,307)</u> | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered payroll                                  | \$ 2,715,330   | \$ 2,747,680       | \$ 2,581,127       | \$ 2,411,773   | \$ 2,238,733   |
| Contributions as a percentage of covered payroll | 8.93%          | 8.93%              | 8.92%              | 8.14%          | 8.14%          |

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

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2019 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    | 2.50%   |

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.

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

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>Total OPEB liability:</b>   |                     |                     |
| Service cost   | \$ 151,349          | \$ 145,696          |
| Interest   | 194,938             | 185,472             |
| Changes in benefit terms   | -                   | -                   |
| Differences between actual and expected experience                             | -                   | -                   |
| Changes of assumptions   | -                   | -                   |
| Benefit payments   | (92,861)            | (92,861)            |
| Net change in total OPEB liability (asset)                                     | 253,426             | 238,307             |
| Total OPEB liability-beginning   | 4,919,258           | 4,680,951           |
| Total OPEB liability-ending  | 5,172,684           | 4,919,258           |
| <b>Plan fiduciary net position:</b>  |                     |                     |
| Contributions-employer   | -                   | -                   |
| Net investment income  | -                   | -                   |
| Benefit payments   | -                   | -                   |
| Administrative expense   | -                   | -                   |
| Net change in plan fiduciary net position                                      | -                   | -                   |
| Plan fiduciary net position-beginning  | -                   | -                   |
| Plan fiduciary net position-ending   | -                   | -                   |
| <b>Net OPEB liability-ending</b>   | <b>\$ 5,172,684</b> | <b>\$ 4,919,258</b> |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | 0.00%               | 0.00%               |
| <b>Covered payroll</b>   | \$ 5,066,363        | \$ 5,066,363        |
| <b>Net OPEB liability as a percentage of covered payroll</b>                   | 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\*

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

|  | 2019              | 2018              | 2017              |
|--|-------------------|-------------------|-------------------|
| Actuarially determined contribution                                  | \$ 231,182        | \$ 598,948        | \$ 374,078        |
| Contributions in relation to the actuarially determined contribution | <u>65,591</u>     | <u>62,072</u>     | <u>209,913</u>    |
| Contribution deficiency (excess)                                     | <u>\$ 165,591</u> | <u>\$ 536,876</u> | <u>\$ 164,165</u> |
| Covered payroll  | \$ 12,169,581     | \$ 11,815,389     | \$ 9,530,500      |
| Contributions as a percentage of covered payroll                     | 0.54%             | 0.53%             | 2.20%             |

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

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates for 2019 were calculated based on the July 1, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

|                             |  |
|-----------------------------|--|
| Actuarial cost method       | Entry age level of percentage of salary                                  |
| Amortization method         | Straight line (for deferred outflow)                                     |
| Amortization period         | 8 years  |
| Asset valuation method      | Market value   |
| Inflation                   | 3.0%   |
| Healthcare cost trend rates | 8% decreasing 1% per year to an ultimate 5% for 2025 and therefore after |
| Salary increases            | 3.0%   |
| Investment rate of return   | 7.50%  |
| Discount rate               | 3.51%  |
| Retirement age              | Pattern of retirement determined by experience study                     |
| Mortality                   | RP-2017 Mortality Fully Generational using Projection Scale MP-2017      |

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

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|   | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 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, 2019

|   | Special Revenue Funds       |                    |                   |                     |                        |                                    | Total<br>Nonmajor<br>Governmental<br>Funds |                             |
|---|-----------------------------|--------------------|-------------------|---------------------|------------------------|------------------------------------|--|-----------------------------|
|   | State<br>Street Aid<br>Fund | Sanitation<br>Fund | Drug<br>Fund      | DEA<br>Drug<br>Fund | Storm<br>Water<br>Fund | School<br>Federal<br>Projects Fund |  | School<br>Cafeteria<br>Fund |
| <b>ASSETS</b>   |                             |                    |                   |                     |                        |                                    |  |                             |
| Cash and cash equivalents   | \$ 53,073                   | \$ 464,796         | \$ 108,139        | \$ 222,494          | \$ 230,675             | \$ -                               | \$ 555,150                                 | \$ 1,634,327                |
| Receivables   |                             |                    |                   |                     |                        |                                    |  |                             |
| Fines and fees  | -                           | 250,933            | -                 | -                   | 67,223                 | -                                  | -  | 318,156                     |
| Less allowance for doubtful accounts  | -                           | (129,736)          | -                 | -                   | (38,882)               | -                                  | -  | (168,618)                   |
| Due from other governments  | 71,260                      | -                  | -                 | -                   | -                      | 547,187                            | 9,884                                      | 628,331                     |
| Due from other funds  | 28,894                      | -                  | -                 | -                   | -                      | -                                  | -  | 28,894                      |
| Inventory   | -                           | -                  | -                 | -                   | -                      | -                                  | 13,191                                     | 13,191                      |
| Prepaid Items   | -                           | 24,816             | -                 | -                   | 1,773                  | -                                  | -  | 26,589                      |
| <b>Total assets</b>   | <u>\$ 153,227</u>           | <u>\$ 610,809</u>  | <u>\$ 108,139</u> | <u>\$ 222,494</u>   | <u>\$ 260,789</u>      | <u>\$ 547,187</u>                  | <u>\$ 578,225</u>                          | <u>\$ 2,480,870</u>         |
| <b>LIABILITIES</b>  |                             |                    |                   |                     |                        |                                    |  |                             |
| Accounts payable and<br>accrued liabilities                                   | \$ 26,806                   | \$ 28,557          | \$ 6,707          | \$ 250              | \$ 7,170               | \$ 110,679                         | \$ 20,758                                  | \$ 200,927                  |
| Due to other funds  | -                           | 9,509              | -                 | 415                 | 1,059                  | 436,508                            | -  | 447,491                     |
| <b>Total liabilities</b>  | <u>26,806</u>               | <u>38,066</u>      | <u>6,707</u>      | <u>665</u>          | <u>8,229</u>           | <u>547,187</u>                     | <u>20,758</u>                              | <u>648,418</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                             |                    |                   |                     |                        |                                    |  |                             |
| Unavailable revenue   |                             |                    |                   |                     |                        |                                    |  |                             |
| Other   | -                           | -                  | -                 | -                   | -                      | -                                  | 968  | 968                         |
| <b>Total deferred inflows of resources</b>                                    | <u>-</u>                    | <u>-</u>           | <u>-</u>          | <u>-</u>            | <u>-</u>               | <u>-</u>                           | <u>968</u>                                 | <u>968</u>                  |
| <b>FUND BALANCES</b>  |                             |                    |                   |                     |                        |                                    |  |                             |
| Nonspendable  | -                           | 24,816             | -                 | -                   | 1,773                  | -                                  | 13,191                                     | 39,780                      |
| Restricted  | 126,421                     | 547,927            | 101,432           | 221,829             | 250,787                | -                                  | 543,308                                    | 1,791,704                   |
| <b>Total fund balances</b>  | <u>126,421</u>              | <u>572,743</u>     | <u>101,432</u>    | <u>221,829</u>      | <u>252,560</u>         | <u>-</u>                           | <u>556,499</u>                             | <u>1,831,484</u>            |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <u>\$ 153,227</u>           | <u>\$ 610,809</u>  | <u>\$ 108,139</u> | <u>\$ 222,494</u>   | <u>\$ 260,789</u>      | <u>\$ 547,187</u>                  | <u>\$ 578,225</u>                          | <u>\$ 2,480,870</u>         |

**CITY OF MILLINGTON, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

|  | Special Revenue Funds       |                    |                   |                     |                        |                                    | Total<br>Nonmajor<br>Governmental<br>Funds |                             |
|--|-----------------------------|--------------------|-------------------|---------------------|------------------------|------------------------------------|--|-----------------------------|
|  | State<br>Street Aid<br>Fund | Sanitation<br>Fund | Drug<br>Fund      | DEA<br>Drug<br>Fund | Storm<br>Water<br>Fund | School<br>Federal<br>Projects Fund |  | School<br>Cafeteria<br>Fund |
| <b>REVENUES</b>  |                             |                    |                   |                     |                        |                                    |  |                             |
| Intergovernmental  |                             |                    |                   |                     |                        |                                    |  |                             |
| Gas taxes  | \$ 413,046                  | \$ -               | \$ -              | \$ -                | \$ -                   | \$ -                               | \$ -                                       | \$ 413,046                  |
| Charges for services   | -                           | 832,246            | -                 | -                   | 382,692                | -                                  | 91,898                                     | 1,306,836                   |
| Fines, forfeitures, and penalties                            | -                           | -                  | 4,400             | -                   | -                      | -                                  | -  | 4,400                       |
| Federal, state and other grants                              | -                           | -                  | -                 | 169,877             | -                      | 2,146,908                          | 1,554,046                                  | 3,870,831                   |
| Interest on investments                                      | 37                          | 259                | 1,358             | 62                  | 138                    | -                                  | -  | 1,854                       |
| Other  | -                           | -                  | -                 | -                   | -                      | -                                  | 2,066                                      | 2,066                       |
| Total revenues   | <u>413,083</u>              | <u>832,505</u>     | <u>5,758</u>      | <u>169,939</u>      | <u>382,830</u>         | <u>2,146,908</u>                   | <u>1,648,010</u>                           | <u>5,185,987</u>            |
| <b>EXPENDITURES</b>  |                             |                    |                   |                     |                        |                                    |  |                             |
| Current  |                             |                    |                   |                     |                        |                                    |  |                             |
| Public safety  | -                           | -                  | 4,072             | 41,142              | -                      | -                                  | -  | 45,214                      |
| Transportation and environment                               | 380,515                     | 812,892            | -                 | -                   | 324,433                | -                                  | -  | 1,517,840                   |
| Education  | -                           | -                  | -                 | -                   | -                      | 2,067,779                          | 1,549,994                                  | 3,617,773                   |
| Total expenditures   | <u>380,515</u>              | <u>812,892</u>     | <u>4,072</u>      | <u>41,142</u>       | <u>324,433</u>         | <u>2,067,779</u>                   | <u>1,549,994</u>                           | <u>5,180,827</u>            |
| Excess (deficiency) of revenues over<br>(under) expenditures | 32,568                      | 19,613             | 1,686             | 128,797             | 58,397                 | 79,129                             | 98,016                                     | 5,160                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                    |                   |                     |                        |                                    |  |                             |
| Sale of capital assets                                       | 539                         | 11,137             | 2,885             | -                   | -                      | -                                  | -  | 14,561                      |
| Transfers out  | -                           | -                  | -                 | -                   | -                      | (79,129)                           | -  | (79,129)                    |
| Total other financing sources and uses                       | <u>539</u>                  | <u>11,137</u>      | <u>2,885</u>      | <u>-</u>            | <u>-</u>               | <u>(79,129)</u>                    | <u>-</u>                                   | <u>(64,568)</u>             |
| Net change in fund balances                                  | 33,107                      | 30,750             | 4,571             | 128,797             | 58,397                 | -                                  | 98,016                                     | (59,408)                    |
| Fund balances - beginning                                    | <u>93,314</u>               | <u>541,993</u>     | <u>96,861</u>     | <u>93,032</u>       | <u>194,163</u>         | <u>-</u>                           | <u>458,483</u>                             | <u>1,477,846</u>            |
| Fund balances - ending                                       | <u>\$ 126,421</u>           | <u>\$ 572,743</u>  | <u>\$ 101,432</u> | <u>\$ 221,829</u>   | <u>\$ 252,560</u>      | <u>\$ -</u>                        | <u>\$ 556,499</u>                          | <u>\$ 1,418,438</u>         |

**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, 2019

|  | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|----------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>   |                       |   |
| <b>REVENUES</b>  |                         |                |                       |   |
| Intergovernmental - state gas tax                                |                         |                |                       |   |
| Gas motor fuel   | \$ 217,000              | \$ 217,000     | \$ 210,785            | \$ (6,215)  |
| Gas 1989   | 34,500                  | 34,500         | 33,626                | (874)   |
| Gas 3 cent   | 64,000                  | 64,000         | 62,307                | (1,693)   |
| Gas 2017   | 62,900                  | 62,900         | 84,225                | 21,325  |
| Petroleum special  | 22,425                  | 22,425         | 22,103                | (322)   |
| Interest on investments  | 20                      | 20             | 37                    | 17  |
| Other  | -                       | -              | 539                   | 539   |
| Total revenues   | <u>400,845</u>          | <u>400,845</u> | <u>413,622</u>        | <u>12,777</u>   |
| <b>EXPENDITURES</b>  |                         |                |                       |   |
| <b>TRANSPORTATION AND ENVIRONMENT</b>                            |                         |                |                       |   |
| Public Works   |                         |                |                       |   |
| Personnel costs  | 1,000                   | 1,000          | -                     | 1,000   |
| Materials and supplies   | 654,000                 | 647,550        | 373,004               | 274,546   |
| Other charges  | 2,800                   | 2,800          | 1,061                 | 1,739   |
| Capital outlay   | -                       | 6,450          | 6,450                 | -   |
| Total expenditures   | <u>657,800</u>          | <u>657,800</u> | <u>380,515</u>        | <u>277,285</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | (256,955)               | (256,955)      | 33,107                | 290,062   |
| <b>OTHER FINANCING SOURCES</b>                                   |                         |                |                       |   |
| Transfers in   | <u>256,955</u>          | <u>256,955</u> | -                     | <u>(256,955)</u>  |
| Net change in fund balances                                      | <u>\$ -</u>             | <u>\$ -</u>    | 33,107                | <u>\$ 33,107</u>  |
| Fund balances - beginning  |                         |                | <u>93,314</u>         |   |
| Fund balances - ending   |                         |                | <u>\$ 126,421</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, 2019

|   | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|----------------|-----------------------|---|
|   | <u>Original</u>         | <u>Final</u>   |                       |   |
| <b>REVENUES</b>                             |                         |                |                       |   |
| Charges for Services                        |                         |                |                       |   |
| Sanitation fees                             | \$ 844,000              | \$ 844,000     | \$ 832,246            | \$ (11,754)   |
| Interest on investments                     | 250                     | 250            | 259                   | 9   |
| Planned use of fund balance                 | 99,809                  | 99,809         | -                     | (99,809)  |
| <b>Total revenues</b>                       | <u>944,059</u>          | <u>944,059</u> | <u>832,505</u>        | <u>(111,554)</u>  |
| <b>EXPENDITURES</b>                         |                         |                |                       |   |
| <b>TRANSPORTATION AND ENVIRONMENT</b>       |                         |                |                       |   |
| Public Works                                |                         |                |                       |   |
| Personnel costs                             | 606,220                 | 606,720        | 538,697               | 68,023  |
| Contractual services                        | 27,000                  | 27,000         | 23,647                | 3,353   |
| Materials and supplies                      | 93,700                  | 97,890         | 86,232                | 11,658  |
| Other charges                               | 16,139                  | 16,449         | 14,870                | 1,579   |
| Capital outlay                              | 201,000                 | 196,000        | 149,446               | 46,554  |
| <b>Total expenditures</b>                   | <u>944,059</u>          | <u>944,059</u> | <u>812,892</u>        | <u>131,167</u>  |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | -                       | -              | 19,613                | 19,613  |
| <b>OTHER FINANCING SOURCES</b>              |                         |                |                       |   |
| Sale of capital assets                      | -                       | -              | 11,137                | 11,137  |
| Net change in fund balances                 | <u>\$ -</u>             | <u>\$ -</u>    | 30,750                | <u>\$ 30,750</u>  |
| Fund balances - beginning                   |                         |                | <u>541,993</u>        |   |
| Fund balances - ending                      |                         |                | <u>\$ 572,743</u>     |   |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DRUG FUND**  
For the Year Ended June 30, 2019

|   | <u>Budgeted Amounts</u> |               | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|---------------|-----------------------|---|
|   | <u>Original</u>         | <u>Final</u>  |                       |   |
| <b>REVENUES</b>                             |                         |               |                       |   |
| Fines, forfeitures, and penalties           | \$ -                    | \$ -          | \$ 4,400              | \$ 4,400  |
| Interest on investments                     | -                       | -             | 1,358                 | 1,358   |
| Planned use of fund balance                 | 27,920                  | 27,920        | -                     | (27,920)  |
| <b>Total revenues</b>                       | <u>27,920</u>           | <u>27,920</u> | <u>5,758</u>          | <u>(22,162)</u>   |
| <b>EXPENDITURES:</b>                        |                         |               |                       |   |
| Public Safety                               |                         |               |                       |   |
| Contractual services                        | 1,770                   | 1,770         | 1,770                 | -   |
| Materials and supplies                      | 8,000                   | 8,000         | 825                   | 7,175   |
| Other charges                               | 10,650                  | 10,650        | 1,303                 | 9,347   |
| Capital outlay                              | 7,500                   | 7,500         | 174                   | 7,326   |
| <b>Total expenditures</b>                   | <u>27,920</u>           | <u>27,920</u> | <u>4,072</u>          | <u>23,848</u>   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | -                       | -             | 1,686                 | 1,686   |
| <b>OTHER FINANCING SOURCES</b>              |                         |               |                       |   |
| Sale of capital assets                      | -                       | -             | 2,885                 | 2,885   |
| Net change in fund balances                 | <u>\$ -</u>             | <u>\$ -</u>   | 4,571                 | <u>\$ 4,571</u>   |
| Fund balances - beginning                   |                         |               | <u>96,861</u>         |   |
| Fund balances - ending                      |                         |               | <u>\$ 101,432</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, 2019

|   | <u>Budgeted Amounts</u> |               | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|---------------|-----------------------|---|
|   | <u>Original</u>         | <u>Final</u>  |                       |   |
| <b>REVENUES</b>                             |                         |               |                       |   |
| Federal, state and other grants             | \$ 30,000               | \$ 30,000     | \$ 169,877            | \$ 139,877  |
| Interest on investments                     | 20                      | 20            | 62                    | 42  |
| Planned use of fund balance                 | 31,750                  | 31,750        | -                     | (31,750)  |
| <b>Total revenues</b>                       | <u>61,770</u>           | <u>61,770</u> | <u>169,939</u>        | <u>108,169</u>  |
| <b>EXPENDITURES:</b>                        |                         |               |                       |   |
| Public Safety                               |                         |               |                       |   |
| Contractual services                        | 1,770                   | 1,770         | 1,770                 | -   |
| Materials and supplies                      | 16,000                  | 26,658        | 17,255                | 9,403   |
| Other charges                               | 5,000                   | 4,342         | 3,242                 | 1,100   |
| Capital outlay                              | 39,000                  | 29,000        | 18,875                | 10,125  |
| <b>Total expenditures</b>                   | <u>61,770</u>           | <u>61,770</u> | <u>41,142</u>         | <u>20,628</u>   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <u>-</u>                | <u>-</u>      | <u>128,797</u>        | <u>128,797</u>  |
| Net change in fund balances                 | <u>\$ -</u>             | <u>\$ -</u>   | <u>128,797</u>        | <u>\$ 128,797</u>                                       |
| Fund balances - beginning                   |                         |               | <u>93,032</u>         |   |
| Fund balances - ending                      |                         |               | <u>\$ 221,829</u>     |   |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STORM WATER FUND**  
For the Year Ended June 30, 2019

|                                       | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------|-------------------------|----------------|-----------------------|---|
|                                       | <u>Original</u>         | <u>Final</u>   |                       |   |
| <b>REVENUES</b>                       |                         |                |                       |   |
| Charges for Services                  |                         |                |                       |   |
| Storm water control fees              | \$ 386,000              | \$ 386,000     | \$ 382,692            | \$ (3,308)  |
| Interest on investments               | 50                      | 50             | 138                   | 88  |
| Total revenues                        | <u>386,050</u>          | <u>386,050</u> | <u>382,830</u>        | <u>(3,220)</u>  |
| <b>EXPENDITURES</b>                   |                         |                |                       |   |
| <b>TRANSPORTATION AND ENVIRONMENT</b> |                         |                |                       |   |
| Public Works                          |                         |                |                       |   |
| Personnel costs                       | 226,350                 | 226,350        | 226,350               | -   |
| Contractual services                  | 42,000                  | 34,774         | 30,720                | 4,054   |
| Materials and supplies                | 61,700                  | 51,018         | 11,449                | 39,569  |
| Other charges                         | 51,000                  | 68,908         | 55,914                | 12,994  |
| Capital outlay                        | 5,000                   | 5,000          | -                     | 5,000   |
| Total expenditures                    | <u>386,050</u>          | <u>386,050</u> | <u>324,433</u>        | <u>61,617</u>   |
| Net change in fund balances           | <u>\$ -</u>             | <u>\$ -</u>    | 58,397                | <u>\$ 58,397</u>  |
| Fund balances - beginning             |                         |                | <u>194,163</u>        |   |
| Fund balances - ending                |                         |                | <u>\$ 252,560</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, 2019

|                                   | <u>Budgeted Amounts</u> |               | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------|-----------------------|---|
|                                   | <u>Original</u>         | <u>Final</u>  |                       |   |
| <b>REVENUES</b>                   |                         |               |                       |   |
| Federal, state and other grants   | \$ 2,112,505            | \$ 2,384,115  | \$ 2,146,908          | \$ (237,207)  |
| <b>EXPENDITURES</b>               |                         |               |                       |   |
| <b>EDUCATION</b>                  |                         |               |                       |   |
| Instruction                       |                         |               |                       |   |
| Title I:                          |                         |               |                       |   |
| Personnel costs                   | 502,372                 | 422,504       | 391,324               | 31,180  |
| Contractual services              | 69,677                  | 83,555        | 68,145                | 15,410  |
| Materials and supplies            | 20,357                  | 52,777        | 45,692                | 7,085   |
| Equipment                         | 32,000                  | 49,000        | 46,682                | 2,318   |
| Total Title I:                    | 624,406                 | 607,836       | 551,843               | 55,993  |
| Title III:                        |                         |               |                       |   |
| Contractual services              | -                       | -             | 4,500                 | (4,500)   |
| Materials and supplies            | -                       | -             | 493                   | (493)   |
| Total Title III:                  | -                       | -             | 4,993                 | (4,993)   |
| Title IV:                         |                         |               |                       |   |
| Contractual services              | -                       | 9,000         | 8,850                 | 150   |
| Materials and supplies            | 7,500                   | 12,500        | 4,447                 | 8,053   |
| Total Title IV:                   | 7,500                   | 21,500        | 13,297                | 8,203   |
| IDEA special education:           |                         |               |                       |   |
| Personnel costs                   | 558,133                 | 575,676       | 564,708               | 10,968  |
| Contractual services              | 39,912                  | 51,587        | 34,083                | 17,504  |
| Materials and supplies            | 2,000                   | 4,000         | 2,042                 | 1,958   |
| Equipment                         | -                       | 4,375         | -                     | 4,375   |
| Total special education:          | 600,045                 | 635,638       | 600,833               | 34,805  |
| CTE Perkins Basic                 |                         |               |                       |   |
| Contractual services              | -                       | 1,287         | -                     | 1,287   |
| Materials and supplies            | -                       | 296           | 296                   | -   |
| Other charges                     | 12,000                  | -             | -                     | -   |
| Equipment                         | 20,000                  | 30,993        | 28,494                | 2,499   |
| Total CTE Perkins Basic:          | 32,000                  | 32,576        | 28,790                | 3,786   |
| Read to be ready - summer program |                         |               |                       |   |
| Personnel costs                   | -                       | -             | 36,430                | (36,430)  |
| Contractual services              | -                       | -             | 2,340                 | (2,340)   |
| Materials and supplies            | -                       | -             | 15,898                | (15,898)  |
| Total read to be ready - summer:  | -                       | -             | 54,668                | (54,668)  |
| <br>Total instructional:          | <br>1,263,951           | <br>1,297,550 | <br>1,254,424         | <br>43,126  |

(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, 2019

|                                      | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--------------------------------------|-------------------------|--------------|-----------------------|---|
|                                      | <u>Original</u>         | <u>Final</u> |                       |   |
| Support services                     |                         |              |                       |   |
| Title I:                             |                         |              |                       |   |
| Personnel costs                      | \$ 418,153              | \$ 416,785   | \$ 398,637            | \$ 18,148   |
| Materials and supplies               | 16,954                  | 13,801       | 13,320                | 481   |
| Other charges                        | 18,347                  | 58,983       | 7,491                 | 51,492  |
| Total Title I:                       | 453,454                 | 489,569      | 419,448               | 70,121  |
| Title II:                            |                         |              |                       |   |
| Personnel costs                      | 63,780                  | 63,779       | 49,171                | 14,608  |
| Contractual services                 | 1,170                   | 6,170        | 5,265                 | 905   |
| Other charges                        | 19,193                  | 86,667       | 41,649                | 45,018  |
| Total Title II:                      | 84,143                  | 156,616      | 96,085                | 60,531  |
| Title III:                           |                         |              |                       |   |
| Other charges                        | -                       | 905          | 905                   | -   |
| Title IV:                            |                         |              |                       |   |
| Personnel costs                      | -                       | 26,245       | -                     | 26,245  |
| Contractual services                 | 7,700                   | 15,210       | 7,143                 | 8,067   |
| Other charges                        | 15,979                  | 19,535       | 3,322                 | 16,213  |
| Total Title IV:                      | 23,679                  | 60,990       | 10,465                | 50,525  |
| IDEA special education:              |                         |              |                       |   |
| Contractual services                 | 12,898                  | 17,508       | 15,325                | 2,183   |
| Materials and supplies               | 1,000                   | 1,000        | 956                   | 44  |
| Other charges                        | 2,000                   | 3,928        | 1,467                 | 2,461   |
| Total IDEA special education:        | 15,898                  | 22,436       | 17,748                | 4,688   |
| Consolidated administration:         |                         |              |                       |   |
| Personnel costs                      | 18,626                  | 18,626       | 18,243                | 383   |
| Materials and supplies               | 700                     | 700          | 447                   | 253   |
| Total consolidated administration:   | 19,326                  | 19,326       | 18,690                | 636   |
| Ready to be ready - summer:          |                         |              |                       |   |
| Personnel costs                      | -                       | -            | 3,684                 | (3,684)   |
| Contractual services                 | -                       | -            | 4,605                 | (4,605)   |
| Other charges                        | -                       | 361          | 2,605                 | (2,244)   |
| Total read to be ready - summer:     | -                       | 361          | 10,894                | (10,533)  |
| CTE Perkins Basic:                   |                         |              |                       |   |
| Contractual services                 | -                       | 4,889        | 4,889                 | -   |
| Other charges                        | 14,248                  | 8,782        | 9,090                 | (308)   |
| Total Perkins Basic:                 | 14,248                  | 13,671       | 13,979                | (308)   |
| IDEA discretionary SWD:              |                         |              |                       |   |
| Personnel costs                      | -                       | 65,764       | 61,352                | 4,412   |
| Materials and supplies               | -                       | 1,000        | 335                   | 665   |
| Total IDEA discretionary SWD:        | -                       | 66,764       | 61,687                | 5,077   |
| IDEA discretionary supplement:       |                         |              |                       |   |
| Materials and supplies               | -                       | 2,320        | 1,645                 | 675   |
| Other charges                        | -                       | 6,000        | 5,242                 | 758   |
| Total IDEA discretionary supplement: | -                       | 8,320        | 6,887                 | 1,433   |
| Total support services:              | 610,748                 | 838,958      | 656,788               | 182,170   |

(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, 2019

|   | <u>Budgeted Amounts</u> |                 | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|-----------------|-----------------------|---|
|   | <u>Original</u>         | <u>Final</u>    |                       |   |
| Non-instructional                           |                         |                 |                       |   |
| IDEA pre-k:                                 |                         |                 |                       |   |
| Contractual services                        | \$ 4,000                | \$ 4,000        | \$ 3,000              | \$ 1,000  |
| Materials and supplies                      | 1,573                   | 3,602           | 1,452                 | 2,150   |
| Other charges                               | 1,700                   | 3,000           | 1,065                 | 1,935   |
| Total IDEA pre-k:                           | <u>7,273</u>            | <u>10,602</u>   | <u>5,517</u>          | <u>5,085</u>  |
| Pre-school development:                     |                         |                 |                       |   |
| Personnel costs                             | 109,216                 | 121,570         | 117,770               | 3,800   |
| Contractual services                        | 29,460                  | 27,598          | 26,951                | 647   |
| Materials and supplies                      | 9,428                   | 7,117           | 4,992                 | 2,125   |
| Other charges                               | 2,500                   | 910             | 910                   | -   |
| Equipment                                   | 800                     | 681             | 427                   | 254   |
| Total pre-school development:               | <u>151,404</u>          | <u>157,876</u>  | <u>151,050</u>        | <u>6,826</u>  |
| Total non-instructional:                    | <u>158,677</u>          | <u>168,478</u>  | <u>156,567</u>        | <u>11,911</u>   |
| Total expenditures:                         | 2,033,376               | 2,304,986       | 2,067,779             | 237,207   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 79,129                  | 79,129          | 79,129                | -   |
| <b>OTHER FINANCING USES</b>                 |                         |                 |                       |   |
| Transfers out                               | <u>(79,129)</u>         | <u>(79,129)</u> | <u>(79,129)</u>       | <u>-</u>  |
| Net change in fund balances                 | <u>\$ -</u>             | <u>\$ -</u>     | <u>-</u>              | <u>\$ -</u>   |
| Fund balances - beginning                   |                         |                 | <u>-</u>              |   |
| Fund balances - ending                      |                         |                 | <u>\$ -</u>           |   |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL CAFETERIA FUND**  
For the Year Ended June 30, 2019

|                                 | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------|-------------------------|------------------|-----------------------|---|
|                                 | <u>Original</u>         | <u>Final</u>     |                       |   |
| <b>REVENUES</b>                 |                         |                  |                       |   |
| Charges for services            |                         |                  |                       |   |
| Cafeteria fees                  | \$ 100,820              | \$ 85,720        | \$ 91,898             | \$ 6,178  |
| Federal, state and other grants | 1,403,909               | 1,448,939        | 1,554,046             | 105,107   |
| Other income                    | 1,100                   | 1,170            | 2,066                 | 896   |
| Total revenues                  | <u>1,505,829</u>        | <u>1,535,829</u> | <u>1,648,010</u>      | <u>112,181</u>  |
| <b>EXPENDITURES</b>             |                         |                  |                       |   |
| <b>EDUCATION</b>                |                         |                  |                       |   |
| Cafeteria                       |                         |                  |                       |   |
| Personnel costs                 | 683,464                 | 723,109          | 706,040               | 17,069  |
| Contractual services            | 8,720                   | 10,520           | 8,189                 | 2,331   |
| Materials and supplies          | 665,900                 | 718,605          | 679,645               | 38,960  |
| Other charges                   | 7,400                   | 18,273           | 15,284                | 2,989   |
| USDA commodities                | 125,345                 | 49,831           | 125,345               | (75,514)  |
| Capital outlays                 | 15,000                  | 15,491           | 15,491                | -   |
| Total expenditures              | <u>1,505,829</u>        | <u>1,535,829</u> | <u>1,549,994</u>      | <u>(14,165)</u>   |
| Net change in fund balances     | <u>\$ -</u>             | <u>\$ -</u>      | 98,016                | <u>\$ 98,016</u>  |
| Fund balances - beginning       |                         |                  | <u>458,483</u>        |   |
| Fund balances - ending          |                         |                  | <u>\$ 556,499</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, 2019

|  | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>       |                           |   |
| <b>REVENUES</b>                                      |                         |                    |                           |   |
| Federal, state, and other grants                     | \$ 10,555,499           | 14,358,044         | \$ 873,247                | \$ (13,484,797)   |
| Interest on investments                              | -                       | -                  | 1,989                     | 1,989   |
| Planned use of fund balance                          | <u>3,598,703</u>        | <u>3,598,703</u>   | <u>-</u>                  | <u>(3,598,703)</u>  |
| Total revenues                                       | <u>14,154,202</u>       | <u>17,956,747</u>  | <u>875,236</u>            | <u>(17,081,511)</u>   |
| <b>EXPENDITURES</b>                                  |                         |                    |                           |   |
| <b>CAPITAL OUTLAY</b>                                |                         |                    |                           |   |
| Architectural and engineering                        | -                       | 1,226,000          | 40,416                    | 1,185,584   |
| Construction contracts                               | 17,055,131              | 20,257,096         | 2,771,204                 | 17,485,892  |
| Equipment  | <u>1,471,650</u>        | <u>876,230</u>     | <u>705,748</u>            | <u>170,482</u>  |
| Total expenditures                                   | <u>18,526,781</u>       | <u>22,359,326</u>  | <u>3,517,368</u>          | <u>18,841,958</u>   |
| <b>DEFICIENCY OF REVENUES<br/>UNDER EXPENDITURES</b> | (4,372,579)             | (4,402,579)        | (2,642,132)               | 1,760,447   |
| <b>OTHER FINANCING SOURCES</b>                       |                         |                    |                           |   |
| Sale of capital assets                               | -                       | -                  | 17,490                    | 17,490  |
| Issuance of debt                                     | 4,072,579               | 6,102,579          | 2,000,000                 | (4,102,579)   |
| Premium on bonds issued                              | -                       | -                  | -                         | -   |
| Transfers in   | 300,000                 | 300,000            | 300,000                   | -   |
| Transfers out  | <u>-</u>                | <u>(2,000,000)</u> | <u>(2,000,000)</u>        | <u>-</u>  |
| <b>Total Other Financing Sources</b>                 | <u>4,372,579</u>        | <u>4,402,579</u>   | <u>317,490</u>            | <u>(4,085,089)</u>  |
| Net change in fund balances                          | <u>\$ -</u>             | <u>\$ -</u>        | <u>(2,324,642)</u>        | <u>\$ (2,324,642)</u>   |
| Fund balances - beginning                            |                         |                    | <u>4,112,087</u>          |   |
| Fund balances - ending                               |                         |                    | <u>\$ 1,787,445</u>       |   |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL CAPITAL PROJECTS FUND**  
For the Year Ended June 30, 2019

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                       |   |
| <b>REVENUES</b>                                  |                         |                  |                       |   |
| Intergovernmental                                |                         |                  |                       |   |
| Shelby County Government                         | \$ -                    | \$ -             | \$ 1,258,956          | \$ 1,258,956  |
| Donations  | -                       | -                | 5,000                 | 5,000   |
| Insurance recovery                               | -                       | -                | 74,870                | 74,870  |
| Total revenues                                   | <u>-</u>                | <u>-</u>         | <u>1,338,826</u>      | <u>1,338,826</u>  |
| <b>EXPENDITURES</b>                              |                         |                  |                       |   |
| <b>CAPITAL OUTLAY</b>                            |                         |                  |                       |   |
| Architects                                       | 88,000                  | 88,000           | 63,734                | 24,266  |
| Engineering services                             | 50,000                  | 50,000           | -                     | 50,000  |
| Building construction                            | 6,051,289               | 5,816,708        | 4,710,588             | 1,106,120   |
| Building improvements                            | -                       | 257,301          | 257,301               | -   |
| Other capital outlay no location                 | 1,115,000               | 1,141,325        | 298,011               | 843,314   |
| Total expenditures                               | <u>7,304,289</u>        | <u>7,353,334</u> | <u>5,329,634</u>      | <u>2,023,700</u>  |
| <b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> | (7,304,289)             | (7,353,334)      | (3,990,808)           | 3,362,526   |
| <b>OTHER FINANCING SOURCES</b>                   |                         |                  |                       |   |
| Transfers in                                     | 3,000,000               | 3,173,250        | 3,276,050             | 102,800   |
| Planned use of fund balance                      | 4,304,289               | 4,180,084        | -                     | (4,180,084)   |
| <b>Total Other Financing Sources</b>             | <u>7,304,289</u>        | <u>7,353,334</u> | <u>3,276,050</u>      | <u>(4,077,284)</u>                                      |
| Net change in fund balances                      | <u>\$ -</u>             | <u>\$ -</u>      | (714,758)             | <u>\$ (714,758)</u>                                     |
| Fund balances - beginning                        |                         |                  | <u>4,180,084</u>      |   |
| Fund balances - ending                           |                         |                  | <u>\$ 3,465,326</u>   |   |

**CITY OF MILLINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITY FUNDS**  
For the Year Ended June 30, 2019

|                             | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|-----------------------------|------------------------------|-------------------|---------------------|---------------------------|
| <b>Assets</b>               |                              |                   |                     |                           |
| Cash                        | \$ 338,721                   | \$ 503,510        | \$ (480,830)        | \$ 361,401                |
| Inventory                   | 3,841                        |                   | (473)               | 3,368                     |
|                             | <u>\$ 342,562</u>            | <u>\$ 503,510</u> | <u>\$ (481,303)</u> | <u>\$ 364,769</u>         |
| <b>Liabilities</b>          |                              |                   |                     |                           |
| Due to student general fund | \$ 182,928                   | \$ 107,917        | \$ (97,811)         | \$ 193,034                |
| Due to student groups       | 159,634                      | 395,593           | (383,492)           | 171,735                   |
|                             | <u>\$ 342,562</u>            | <u>\$ 503,510</u> | <u>\$ (481,303)</u> | <u>\$ 364,769</u>         |

**SUPPORTING SCHEDULES (UNAUDITED)**



**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS**  
**GOVERNMENTAL ACTIVITIES**  
June 30, 2019

| Fiscal Year | General Obligation Capital<br>Outlay Note 2010 |                 | Local Government Loan<br>Program Series 2011 |                    | Local Government Loan<br>Program Series 2013 |                   | Local Government Loan<br>Program Series 2015 |                  | Local Government Loan<br>Program Series 2018 |                  | Shelby County, TN<br>Settlement Liability |                  | Total               |                    |
|-------------|--|-----------------|--|--------------------|--|-------------------|--|------------------|--|------------------|---|------------------|---------------------|--------------------|
|             | Principal                                      | Interest        | Principal                                    | Interest           | Principal                                    | Interest          | Principal                                    | Interest         | Principal                                    | Interest         | Principal                                 | Interest         | Principal           | Interest           |
| 2020        | \$113,000                                      | \$ 6,596        | \$ 218,000                                   | \$ 129,396         | \$ 52,000                                    | \$ 25,172         | \$ 209,000                                   | \$114,806        | \$ 66,000                                    | \$ 81,827        | \$ 191,737                                | \$ 38,482        | \$ 849,737          | \$ 396,279         |
| 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           | 224,382                                   | 5,792            | 1,047,882           | 220,856            |
| 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        | -  | -               | -  | -                  | -  | -                 | -  | -                | -  | -                | -   | -                | -                   | -                  |
|             | <u>\$231,000</u>                               | <u>\$ 8,826</u> | <u>\$3,933,000</u>                           | <u>\$1,239,277</u> | <u>\$ 868,000</u>                            | <u>\$ 199,607</u> | <u>\$3,906,009</u>                           | <u>\$674,239</u> | <u>\$2,000,000</u>                           | <u>\$943,404</u> | <u>\$1,453,684</u>                        | <u>\$157,804</u> | <u>\$12,391,693</u> | <u>\$3,223,157</u> |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS**  
**BUSINESS-TYPE ACTIVITIES**  
June 30, 2019

---

| Fiscal Year | State Revolving Loan Fund |                   |
|-------------|---------------------------|-------------------|
|             | Principal                 | Interest          |
| 2020        | \$ 130,704                | \$ 31,620         |
| 2021        | 132,564                   | 29,760            |
| 2022        | 134,436                   | 27,888            |
| 2023        | 136,344                   | 25,980            |
| 2024        | 138,288                   | 24,036            |
| 2025        | 140,244                   | 22,080            |
| 2026        | 142,236                   | 20,088            |
| 2027        | 144,252                   | 18,072            |
| 2028        | 146,304                   | 16,020            |
| 2029        | 148,380                   | 13,944            |
| 2030        | 150,480                   | 11,844            |
| 2031        | 152,616                   | 9,708             |
| 2032        | 154,788                   | 7,536             |
| 2033        | 156,984                   | 5,340             |
| 2034        | 159,216                   | 3,108             |
| 2035        | 134,362                   | 1,260             |
|             | <u>\$ 2,302,198</u>       | <u>\$ 268,284</u> |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
 For the Year Ended June 30, 2019

---

As of June 30, 2019, the City of Millington, Tennessee, served approximately 3,000 water, sewer, and sanitation customers and had the following rate structure in place:

| <b>Water Rates:</b>           |              |          |
|-------------------------------|--------------|----------|
|                               | Gallons Used | Rate     |
| First 2,000 gallons           |              | \$ 13.21 |
| Each additional 1,000 gallons |              | \$ 4.43  |

| <b>Sewer Rates:</b>           |                                |         |
|-------------------------------|--------------------------------|---------|
|                               | Based on Gallons of Water Used | Rate    |
| First 2,000 gallons           |                                | \$ 7.74 |
| Each additional 1,000 gallons |                                | \$ 3.73 |

| <b>Sanitation Rates:</b> |      |                |
|--------------------------|------|----------------|
|                          | Type | Monthly Charge |
| Residential              |      | \$ 23.00       |

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FIDELITY BONDS AND PRINCIPAL OFFICIALS**  
For the Year Ended June 30, 2019

---

| Position              | Amount<br>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**  
**SCHEDULES OF PROPERTY TAXES**  
For the Year Ended June 30, 2019

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

| Year of Levy                               | Balance June 30, 2018 | Assessment          | Adjustments/ Abatements | Collections         | June 30, 2019    |
|--|-----------------------|---------------------|-------------------------|---------------------|------------------|
| 2019                                       | \$ -                  | \$ 3,081,186        | \$ -                    | \$ -                | \$ 3,081,186     |
| 2018                                       | 3,122,364             | -                   | (6,015,934)             | 2,975,194           | 81,624           |
| 2017                                       | 84,840                | -                   | (121,879)               | 60,458              | 23,419           |
| 2016                                       | 20,110                | -                   | (15,796)                | 7,778               | 12,092           |
| 2015                                       | 14,088                | -                   | (9,025)                 | 4,393               | 9,456            |
| 2014                                       | 11,281                | -                   | (6,605)                 | 3,228               | 7,904            |
| 2013                                       | 7,325                 | -                   | (2,707)                 | 1,280               | 5,898            |
| 2012                                       | 2,736                 | -                   | (695)                   | 285                 | 2,326            |
| 2011                                       | 2,705                 | -                   | (1,437)                 | 672                 | 1,940            |
| 2010                                       | 1,495                 | -                   | (1,285)                 | 618                 | 828              |
| Prior Years                                | 1,446                 | -                   | (458)                   | 80                  | 1,068            |
| <b>Total</b>                               | <b>3,268,390</b>      | <b>\$ 3,081,186</b> | <b>\$ (6,175,821)</b>   | <b>\$ 3,053,986</b> | <b>3,227,741</b> |
| Allowance for uncollectible property taxes | (140,992)             |                     |                         |                     | (136,694)        |
| <b>Net receivables</b>                     | <b>3,127,398</b>      |                     |                         |                     | <b>3,091,047</b> |

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

| Year of Levy | Realty and Personalty | Public Utility | Total Assessed Valuation | Tax Rate per \$100 | Levy         |
|--------------|-----------------------|----------------|--------------------------|--------------------|--------------|
| 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           | 1.53               | 2,721,380    |
| 2012         | 166,983,760           | 9,017,800      | \$ 176,001,560           | 1.23               | 2,164,819    |
| 2011         | 169,234,480           | 9,043,000      | \$ 178,277,480           | 1.23               | 2,192,813    |
| 2010         | 182,557,550           | 9,490,000      | \$ 192,047,550           | 1.23               | 2,362,185    |

**DELINQUENT PROPERTY TAXES**

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

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
 For the Year Ended June 30, 2019

AWWA Free Water Audit Software: Reporting Worksheet WAS v5.0  
American Water Works Association  
Copyright © 2014, All Rights Reserved

Water Audit Report for: **City of Millington**  
 Reporting Year: **2019** / 7/2018 - 6/2019

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

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

---

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

----- Enter grading in column 'E' and 'J' ----->

**WATER SUPPLIED**

|   |  |
|---|--|
| Volume from own sources: <input type="text" value="9"/> 335.205 MG/Yr<br>Water imported: <input type="text" value="0.000"/> MG/Yr<br>Water exported: <input type="text" value="n/a"/> 0.000 MG/Yr | <b>Master Meter and Supply Error Adjustments</b><br>Pcnt: <input type="text" value="3"/> Value: <input type="text" value="-3.500"/> MG/Yr<br><input type="text" value="0.000"/> MG/Yr<br><input type="text" value="0.000"/> MG/Yr<br>Enter negative % or value for under-registration<br>Enter positive % or value for over-registration |
|---|--|

---

**WATER SUPPLIED:**  MG/Yr

---

**AUTHORIZED CONSUMPTION**

|   |   |
|---|---|
| Billed metered: <input type="text" value="7"/> 298.174 MG/Yr<br>Billed unmetered: <input type="text" value="n/a"/> MG/Yr<br>Unbilled metered: <input type="text" value="n/a"/> MG/Yr<br>Unbilled unmetered: <input type="text" value="9"/> 21.146 MG/Yr | Click here: <input type="text" value="21.146"/> MG/Yr<br>Pcnt: <input type="text" value="0.25%"/> Value: <input type="text" value="21.146"/> MG/Yr<br>Use buttons to select percentage of water supplied OR value |
|---|---|

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:**  MG/Yr

---

**WATER LOSSES (Water Supplied - Authorized Consumption)**  MG/Yr

**Apparent Losses**

|   |  |
|---|--|
| Unauthorized consumption: <input type="text" value="0.847"/> MG/Yr<br>Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed<br>Customer metering inaccuracies: <input type="text" value="8"/> 15.693 MG/Yr<br>Systematic data handling errors: <input type="text" value="0.745"/> MG/Yr<br>Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed | Pcnt: <input type="text" value="0.25%"/> Value: <input type="text" value="0.25%"/> MG/Yr<br><input type="text" value="5.00%"/> MG/Yr<br><input type="text" value="0.25%"/> MG/Yr |
|---|--|

**Apparent Losses:**  MG/Yr

---

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

Real Losses = Water Losses - Apparent Losses:  MG/Yr

**WATER LOSSES:**  MG/Yr

---

**NON-REVENUE WATER**

**NON-REVENUE WATER:**  MG/Yr  
 = Water Losses + Unbilled Metered + Unbilled Unmetered

---

**SYSTEM DATA**

|   |  |
|---|--|
| Length of mains: <input type="text" value="5"/> 55.8 miles<br>Number of active AND inactive service connections: <input type="text" value="7"/> 4,325<br>Service connection density: <input type="text" value="78"/> conn./mile main<br>Are customer meters typically located at the curbside or property line? <input type="text" value="Yes"/><br>Average length of customer service line: <input type="text" value="0"/> (length of service line beyond the property boundary, that is the responsibility of the utility)<br>Average length of customer service line has been set to zero and a data grading score of 10 has been applied<br>Average operating pressure: <input type="text" value="2"/> 70.0 psi |  |
|---|--|

---

**COST DATA**

|  |  |
|--|--|
| Total annual cost of operating water system: <input type="text" value="9"/> \$1,116,465 \$/Year<br>Customer retail unit cost (applied to Apparent Losses): <input type="text" value="10"/> \$4.43 \$/1000 gallons (US)<br>Variable production cost (applied to Real Losses): <input type="text" value="10"/> \$497.91 \$/Million gallons <input type="checkbox"/> 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, 2019

| AWWA Free Water Audit Software:<br>System Attributes and Performance Indicators  |  | WAS v5.0<br>American Water Works Association<br>Copyright © 2014, All Rights Reserved |
|--|--|---|
| Water Audit Report for: <input type="text" value="City of Millington"/>  |  |   |
| Reporting Year: <input type="text" value="2019"/> <input type="text" value="7/2018 - 6/2019"/>   |  |   |
| *** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***   |  |   |
| <b>System Attributes:</b>  |  |   |
|  | Apparent Losses:   | <input type="text" value="17.286"/> MG/Yr   |
| +  | Real Losses:   | <input type="text" value="2.099"/> MG/Yr  |
| =  | <b>Water Losses:</b>   | <input type="text" value="19.385"/> MG/Yr   |
|  | <input type="checkbox"/> Unavoidable Annual Real Losses (UARL):          | <input type="text" value="24.29"/> MG/Yr  |
|  | Annual cost of Apparent Losses:  | <input type="text" value="\$76,575"/>   |
|  | Annual cost of Real Losses:  | <input type="text" value="\$1,045"/> Valued at <b>Variable Production Cost</b>        |
| <small>Return to Reporting Worksheet to change this assumption</small>   |  |   |
| <b>Performance Indicators:</b>   |  |   |
| Financial:   | Non-revenue water as percent by volume of Water Supplied:                | <input type="text" value="12.0%"/>  |
|  | Non-revenue water as percent by cost of operating system:                | <input type="text" value="7.9%"/> Real Losses valued at Variable Production Cost      |
| Operational Efficiency:  | Apparent Losses per service connection per day:                          | <input type="text" value="10.95"/> gallons/connection/day                             |
|  | Real Losses per service connection per day:                              | <input type="text" value="1.33"/> 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="0.02"/> gallons/connection/day/psi                          |
| From Above, Real Losses = Current Annual Real Losses (CARL):   |  | <input type="text" value="2.10"/> million gallons/year                                |
|  | <input type="checkbox"/> Infrastructure Leakage Index (ILI) [CARL/UARL]: | <input type="text" value="0.09"/>   |
| <small>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</small> |  |   |

**GOVERNMENT AUDITING STANDARDS SECTION**



**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2019

| <u>Federal Grantor/Pass-Through Grantor/Program</u>  | <u>CFDA<br/>Number</u> | <u>Expenditures</u>        |
|--|------------------------|----------------------------|
| <b>U.S. Department of Housing and Urban Development</b>  |                        |                            |
| <u>Tennessee Department of Economic and Community Development</u><br>Community Development Block Grant Disaster Recovery Grant         | 14.269                 | \$ 919,583                 |
| <b>U.S. Department of Justice</b>  |                        |                            |
| <u>Direct Award</u><br>Equitable Sharing Program   | 16.922                 | 169,877                    |
| <b>U.S. Department of Transportation</b>   |                        |                            |
| <u>Tennessee Department of Transportation</u><br><i>Highway Planning and Construction Cluster</i><br>Highway Planning and Construction | 20.205                 | 507,602                    |
| Federal Lands Access Program   | 20.224                 | 877,141                    |
| <i>Subtotal - Highway Planning and Construction Cluster</i>  |                        | <u>1,384,743</u>           |
| <b>Delta Regional Authority</b>  |                        |                            |
| <u>Direct Award</u><br>Delta Area Economic Development   | 90.201                 | 215,622                    |
| <b>U.S. Department of Homeland Security</b>  |                        |                            |
| <u>City of Memphis, Tennessee</u><br>National Urban Search and Rescue Response System  | 97.025                 | <u>2,981</u>               |
| <b>Total Federal Awards</b>  |                        | <u><u>2,692,806</u></u>    |
| <b>State Financial Assistance</b>  |                        |                            |
| Tennessee Department of Safety   | N/A                    | <u>2,500</u>               |
| <b>Total State Financial Assistance</b>  |                        | <u>2,500</u>               |
| <b>Total Federal Awards and State Financial Assistance</b>   |                        | <u><u>\$ 2,695,306</u></u> |

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

For the Year Ended June 30, 2019

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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, 2019. 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 | \$ 5,482,605        |
| Millington Municipal Schools federal awards                     | (3,858,459)         |
| Millington Municipal Schools non-federal awards                 | (452,696)           |
| Proprietary funds federal awards                                | 937,214             |
| City of Millington non-federal and non-state awards             | (408,628)           |
| Change in City of Millington unavailable revenue                | 995,270             |
| Total federal awards and state financial assistance             | <u>\$ 2,695,306</u> |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City"), as of and for the year ended June 30, 2019, 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 31, 2019. Our report includes a reference to other auditors who audited the financial statements of Millington Municipal Schools, (the "School"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
December 31, 2019

**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, 2019. 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.

**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, 2019.

## 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.

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

Memphis, Tennessee  
December 31, 2019

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2019

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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 X No  
Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_ Yes X No

Noncompliance material to financial statements noted \_\_ Yes X No

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? \_\_ Yes X No  
Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_ Yes X No

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 X No

Identification of major programs:

*CFDA Number 14.269 – Community Development Block Grant Disaster Recovery*

*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 X 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, 2019

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**A. FINDINGS – FINANCIAL STATEMENTS**

None reported.