

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

January 28, 2019

To the Mayor and Board of Commissioners  
City of Millersville, Tennessee

This letter is to inform the Mayor and Board of Commissioners of the City of Millersville, Tennessee (the City) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2018, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

## **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated July 2, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

## **Overview of the Planned Scope and Timing of the Financial Statement Audit**

In our arrangement letter dated July 2, 2018, we communicated the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

## **Significant Accounting Practices, Including Policies, Estimates and Disclosures**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the pension liabilities and deferrals are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the actuarial valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical sewer, sanitation, and storm water activities revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of unearned revenue related to sanitation activities is based on billing dates subsequent to year-end and an estimation of usage is accrued based on billing data. We evaluated the key factors and assumptions used to develop the unearned revenue in determining that they are reasonable in relation to the financial statements taken as a whole.

**Significant Accounting Practices, Including Policies, Estimates and Disclosures, Continued**

Management's estimate of depreciation is based on expected remaining lives and salvage values of capital assets. We evaluated the key factors and assumptions used to determine the useful lives and depreciation allowance in determining that they are reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the estimates described above and determined that the balances recorded for these estimates are reasonable in relation the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant in materiality and in potential credit risk.

The disclosure of pension obligations in the financial statements are significant due to reliance on third party actuarial valuations.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audits**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Audit adjustments proposed by us and recorded by the City have been provided to management as an attachment to the management representation letter.

Uncorrected misstatements are summarized in the management representation letter.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter attached to this letter.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Mayor and Board of Commissioners  
City of Millersville, Tennessee  
January 28, 2019  
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**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information listed in the table of contents for the audit report, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory, statistical sections, and other supplemental information listed in the table of contents of the audit report, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Conclusion**

This information is intended solely for the information and use of the Board of Commissioners and management of the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC

# *City of Millersville*

1246 Louisville Hwy.  
Millersville, TN 37072-3613

Phone (615) 859-0880

Fax (615) 851-1825

January 28, 2019

Blankenship CPA Group, PLLC  
Goodlettsville, TN

This representation letter is provided in connection with your audit of the basic financial statements of City of Millersville, Tennessee ("the City") as of and for the year ended June 30, 2018 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of January 28, 2019:

## **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 2, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with the City of Millersville, Tennessee are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP and we have not consulted an attorney.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.



9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. As of and for the year ended June 30, 2018, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

**Opinion Unit:**

Description - Solid Waste Fund	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expend
Understatement of SW AR and Understatement SW Allowance for Doubtful Accounts	\$ (5,316)	\$ -	\$ -	\$ 1,715	\$ 3,601
Total Effect				\$ 1,715	\$ 3,601
Statement of Financial Position Effect	\$ (5,316)	\$ -	\$ -		

Description - Sewer Fund	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expend
Overstatement of SF AR and Understatement SF Allowance for Doubtful Accounts	\$ (7,343)	\$ -	\$ -	\$ 7,343	\$ -
Total Effect				\$ 7,343	\$ -
Statement of Financial Position Effect	\$ (7,343)	\$ -	\$ -		

Description - Non-major Governmental Funds	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expend
Understatement of STWR AR and Understatement STWR Allowance for Doubtful Accounts	\$ (1,545)	\$ -	\$ -	\$ (524)	\$ 2,069
Total Effect				\$ (524)	\$ 2,069
Statement of Financial Position Effect	\$ (1,545)	\$ -	\$ -		

In addition, we are in agreement with the proposed journal entries you have provided and that are attached to this letter for governmental funds, proprietary funds, government-wide activities and business-type activities.

**Information Provided**

11. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing board of commissioners and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.

16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

18. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

19. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.

20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

**Supplementary Information**

22. With respect to supplementary information presented in relation to the financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

None identified.

- e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

23. With respect to the Required Supplementary Information presented as management's discussion and analysis and schedules of changes in net pension liability(asset) and related ratios and schedule of contributions based on participation in the public employee pension plan of TCRS as required by U.S. GAAP to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have changed from those used in the prior period due to updated accounting principles related to the presentation of covered payroll.
- d. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

None identified.

**Compliance Considerations**

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

24. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

25. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
26. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
28. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
29. Is responsible for 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.
30. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
31. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
32. Has a process to track the status of audit findings and recommendations.
33. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
34. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
35. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

City of Millersville, Tennessee

  
Interim City Manager and City Recorder



**CITY OF MILLERSVILLE, TENNESSEE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2018**

**CITY OF MILLERSVILLE, TENNESSEE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2018**

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## Introductory Section

**Roster of City Officials**  
**June 30, 2018**

<b>Position</b>	<b>Official</b>	<b>Period of Service</b>
Mayor	Tim Lassiter	7/1/17-6/30/18
Vice Mayor	E. Keith Bell	7/1/17-6/30/18
Commissioners	Bonnie Coleman	7/1/17-6/30/18
	Milton Dorris	7/1/17-6/30/18
	David Gregory	7/1/17-6/30/18
City Manager	Caryn Miller	7/1/17-3/23/2018
	Holly Murphy (Interim)	3/23/2018-6/30/2018
City Recorder	Holly Murphy, CMFO	7/1/17-6/30/18
Chief of Police	Mark Palmer	7/1/17-6/30/18
Public Works Director	Jerry Schrader	7/1/17-6/30/18
Parks & Rec Coordinator	Bethany Wilkerson	7/1/17-6/30/18
Fire Chief	Thomas King II	7/1/17-12/31/2017
	Brandon Head	1/1/18-6/30/18
Development Director	A. Michael Barr	7/1/17-6/30/18
City Judge	John Lowe	7/1/17-4/4/2018
	William McCaw Johnson	4/17/18-6/30/18
City Attorney	Robert Wheeler	7/1/17-6/30/18

\* Salary information has been omitted.

\*\* All employees of the City of Millersville, Tennessee are covered under the Property and Crime policy with the TML Risk Management Pool up to \$150,000 crime coverage.



## **Financial Section**

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## Independent Auditor's Report

To the Members of the City Commission  
City of Millersville, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millersville, Tennessee (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund 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 on pages 4 - 7 and the schedule of changes in net pension liability (asset) and related ratios and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 32 - 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, individual fund statements and schedules on pages 34 - 36, schedule of expenditures of federal awards and state financial assistance, schedule of long-term debt, principal, and interest requirements, schedule of changes in property taxes receivable, schedule of property tax rates and assessments, and schedule of utility rate structure and number of customers, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules, schedule of expenditures of federal awards and state financial assistance, schedule of long-term debt, principal, and interest requirements, and schedule of changes in property taxes receivable 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, schedule of property tax rates and assessments, and schedule of utility rate structure and number of customers 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 January 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City's 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's internal control over financial reporting and compliance.

*Blanchenship CPA Group, PLLC*

January 28, 2019



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Millersville, Tennessee provides this Management Discussion and Analysis as prescribed by the Government Accounting Standards Board. This discussion and analysis is intended to serve as an introduction to the City of Millersville's basic financial statements for the fiscal year ending June 30, 2018.

The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position. Comparing the year-to-year increases or decreases in net position may be used as an indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from 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 and administration, public safety, public works, parks and recreation, and the solid waste and storm water operations. The business-type activities of the City include the sewer operation. The government-wide financial statements can be found on pages 8 – 9 of this report.

### **Fund Financial Statements**

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

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements. Since the focus of governmental funds is narrower than that of the government-wide financial statements, a comparison of the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements may offer readers a better understanding of the long-term effect of near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between funds and activities.

The City maintains five 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 major funds, which include the General Fund and Solid Waste Fund. Data from the remaining funds is 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.

### Proprietary (Enterprise) Funds

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

### Notes to 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.

### Other Information

In addition to the basic financial statements, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements in connection with the non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 34 – 36 of this report.

	<b>Condensed Comparative Data</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>						
Current and Other Assets	\$ 4,344,423	\$ 4,568,956	\$ 1,259,430	\$ 1,186,869	\$ 5,603,853	\$ 5,755,825
Capital Assets	5,041,083	4,462,828	5,231,595	5,229,111	10,272,678	9,691,939
Total Assets	9,385,506	9,031,784	6,491,025	6,415,980	15,876,531	15,447,764
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	90,628	138,510	5,974	11,728	96,602	150,238
<b>LIABILITIES</b>						
Other Liabilities	389,688	400,284	71,230	93,206	460,918	493,490
Long-term Debt	981,113	1,086,439	135,949	-	1,117,062	1,086,439
Total Liabilities	1,370,801	1,486,723	207,179	93,206	1,577,980	1,579,929
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,062,413	982,922	12,255	12,696	1,074,668	995,618
<b>NET POSITION</b>						
Invested in Capital Assets,						
Net of Related Debt	4,110,192	3,767,171	5,095,646	5,229,111	9,205,838	8,996,282
Restricted	979,978	984,145	32,793	21,443	1,012,771	1,005,588
Unrestricted	1,952,750	1,949,333	1,149,126	1,071,252	3,101,876	3,020,585
Total Net Position	\$ 7,042,920	\$ 6,700,649	\$ 6,277,565	\$ 6,321,806	\$ 13,320,485	\$ 13,022,455



## Condensed Comparative Data – Continued

Functions/Programs:	Change in Net Assets				Total	
	Governmental		Business-type		Primary Government	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$ 986,806	\$ 1,086,382	\$ 1,017,720	\$ 975,472	\$ 2,004,526	\$ 2,061,854
Operating Grants and Contributions	232,688	201,076	-	-	232,688	201,076
Capital Grants and Contributions	-	171,742	21,350	25,925	21,350	197,667
General Revenues	2,195,236	2,038,254	8,288	8,258	2,203,524	2,046,512
Total Revenues	3,414,730	3,497,454	1,047,358	1,009,655	4,462,088	4,507,109
Expenses						
General Government	974,037	781,963	-	-	974,037	781,963
Public Safety	1,270,573	1,360,600	-	-	1,270,573	1,360,600
Public Works	264,642	224,783	-	-	264,642	224,783
Parks and Recreation	94,812	99,679	-	-	94,812	99,679
Solid Waste	443,838	421,005	-	-	443,838	421,005
Storm Water	90,317	139,457	-	-	90,317	139,457
Interest	25,359	14,582	-	-	25,359	14,582
Sewer	-	-	1,062,481	995,366	1,062,481	995,366
Total Expenses	3,163,578	3,042,069	1,062,481	995,366	4,226,059	4,037,435
Change in Net Position Before Transfers	251,152	455,385	(15,123)	14,289	236,029	469,674
Transfers	29,118	24,495	(29,118)	(24,495)	-	-
Change in Net Position	280,270	479,880	(44,241)	(10,206)	236,029	469,674
Prior Period Adjustment	62,001	-	-	-	62,001	-
Net Position - Beginning	6,700,649	6,220,769	6,321,806	6,332,012	13,022,455	12,552,781
Net Position - Ending	\$ 7,042,920	\$ 6,700,649	\$ 6,277,565	\$ 6,321,806	\$ 13,320,485	\$ 13,022,455

### Overall Analysis

The overall financial condition of the City on June 30, 2018 is sound. All funds operated within the budgeted expense parameters and there were no major permanent changes in existing revenue sources. The governmental fund balances decreased from \$3,164,499 to \$2,731,435 and the governmental activities net position increased by \$280,070. The business-type activities had a decrease in net position of \$44,421.

### Fund Analysis

**General Fund.** The general fund balance decreased by \$359,989. The decrease was anticipated due to loan proceeds of \$390,782 which were received in the prior fiscal year for a new fire engine that was not completed until this fiscal year. All departments within the general fund operated below budgeted expense projections.

**Sewer Fund.** The sewer fund experienced a loss from operations of \$44,761 and a decrease in net position of \$44,241. The cash balance decreased from \$1,140,272 to \$1,029,555 at the close of the fiscal year, a decrease of \$110,717. Expenses for bad debt, depreciation and Metro Water treatment fees were higher than projected, and the sewer pump expense for new construction (Ordinance 16-654) was not anticipated, all of which contributed to the loss from operations and the decrease in net position. The City reviewed the operating income in 2015 and increased sewer rates incorporating an automatic 2% increase each year; however the operating income will be reviewed again to determine its adequacy to meet all financial and contractual requirements and obligations. Agreements between Millersville and Metro Water Services (MWS) will continue to require capital investment to improve the efficiency of the sewer system through a reduction in inflow and infiltration (I & I). A system rehabilitation program is currently in progress and will continue to require capital improvements.

**Street Fund.** The street fund balance decreased by \$85,582. The decrease was anticipated due to street paving and the purchase of a bucket truck.

**Solid Waste Fund.** The solid waste fund balance decreased by \$112,696. The decrease was anticipated due to the purchase of a sweeper truck.



Drug Fund. The drug fund balance increased by \$3,633.

Stormwater Fund. The stormwater fund balance increased by \$59,569. A drainage improvement plan is currently in progress.

### **Budget Variances in the General Fund**

The most significant budget variance resulted from lower than projected court fine revenue and local sales tax from Sumner County. Minor expense budget line item variances fell within expected ranges.

### **Capital Asset and Long-term Debt Activity**

The Police Department continued its vehicle replacement program by purchasing and equipping one new vehicle. Other capital projects included a Police Tow Lot, Phase I of the City Hall Expansion, and the NEPA and Survey Phase of the Streetscape/Sidewalk Project, all of which were paid for using available funds. Long-term Debt Activity included a loan agreement with the State Revolving Loan Fund for \$518,000 to finance Phase I of a sewer rehab program which began in 2018. Only \$135,949 of loan proceeds were drawn and expended during the 2017-18 fiscal year.

Following is a summary of the City's capital assets:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 603,801	\$ 603,801	\$ 47,268	\$ 47,268	\$ 651,069	\$ 651,069
Construction in Progress	179,421	46,172	139,356	-	318,777	46,172
Buildings & Improvements	4,270,638	4,080,390	97,854	97,854	4,368,492	4,178,244
Equipment & Furniture	1,321,663	1,113,380	264,285	264,286	1,585,948	1,377,666
Vehicles	2,111,876	1,693,785	239,896	231,213	2,351,772	1,924,998
Sewer Collections	-	-	8,744,750	8,670,848	8,744,750	8,670,848
Less: Accumulated Depreciation	(3,446,317)	(3,074,700)	(4,301,814)	(4,082,358)	(7,748,131)	(7,157,058)
Total Capital Assets	\$ 5,041,082	\$ 4,462,828	\$ 5,231,595	\$ 5,229,111	\$ 10,272,677	\$ 9,691,939

Following is a summary of the City's long-term liabilities:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Compensated Absences	\$ 50,222	\$ 41,513	\$ 7,361	\$ 6,668	\$ 57,583	\$ 48,181
Notes Payable	897,872	1,021,436	135,949	-	1,033,821	1,021,436
Capital Lease	33,019	65,003	-	-	33,019	65,003
Total Long-Term Liabilities	\$ 981,113	\$ 1,127,952	\$ 143,310	\$ 6,668	\$ 1,124,423	\$ 1,134,620

More detailed information can be found in the notes to financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be forwarded to the City Recorder at 615-859-0880.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 2,806,672	\$ 1,029,555	\$ 3,836,227
Receivables, Net	1,196,155	169,637	1,365,792
Internal Balances, Net	6,221	(6,221)	-
Inventories	7,103	31,836	38,939
Prepaid Items	16,468	1,830	18,298
Restricted Cash	25,116	-	25,116
Total Current Assets	<u>4,057,735</u>	<u>1,226,637</u>	<u>5,284,372</u>
<b>Capital Assets</b>			
Non Depreciable Capital Assets	783,222	186,624	969,846
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>4,257,861</u>	<u>5,044,971</u>	<u>9,302,832</u>
Total Capital Assets	<u>5,041,083</u>	<u>5,231,595</u>	<u>10,272,678</u>
<b>Other Assets</b>			
Net Pension Asset	<u>286,688</u>	<u>32,793</u>	<u>319,481</u>
Total Assets	<u>9,385,506</u>	<u>6,491,025</u>	<u>15,876,531</u>
<b>Deferred Outflows of Resources</b>			
Deferred Pensions	<u>90,628</u>	<u>5,974</u>	<u>96,602</u>
Total Deferred Outflows of Resources	<u>90,628</u>	<u>5,974</u>	<u>96,602</u>
<b>Liabilities</b>			
Accounts Payable and Other Current Liabilities	352,706	63,869	416,575
Unearned Revenue	36,982	-	36,982
Long-term Liabilities:			
Compensated Absences	50,222	7,361	57,583
Current Portion of Long-term Debt	195,600	-	195,600
Long-term Debt	<u>735,291</u>	<u>135,949</u>	<u>871,240</u>
Total Liabilities	<u>1,370,801</u>	<u>207,179</u>	<u>1,577,980</u>
<b>Deferred Inflows of Resources</b>			
Deferred Property Tax Revenue	936,612	-	936,612
Deferred Pensions	<u>125,801</u>	<u>12,255</u>	<u>138,056</u>
Total Deferred Inflows of Resources	<u>1,062,413</u>	<u>12,255</u>	<u>1,074,668</u>
<b>Net Position</b>			
Net Investment in Capital Assets	4,110,192	5,095,646	9,205,838
Restricted for:			
Solid Waste	358,751	-	358,751
State Street Aid	199,939	-	199,939
Storm Water	95,096	-	95,096
Drug Education and Investigations	39,504	-	39,504
Other Purposes	286,688	32,793	319,481
Unrestricted	<u>1,952,750</u>	<u>1,149,126</u>	<u>3,101,876</u>
Total Net Position	<u>\$ 7,042,920</u>	<u>\$ 6,277,565</u>	<u>\$ 13,320,485</u>

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
<b>Functions/Programs:</b>							
<b>Primary government:</b>							
Governmental Activities:							
General Government	\$ 974,037	\$ 69,268	\$ 12,976	\$ -	\$ (891,793)	\$ -	\$ (891,793)
Public Safety	1,270,573	296,645	-	-	(973,928)	-	(973,928)
Public Works	264,642	-	219,712	-	(44,930)	-	(44,930)
Parks and Recreation	94,812	32,102	-	-	(62,710)	-	(62,710)
Solid Waste	443,838	433,566	-	-	(10,272)	-	(10,272)
Storm Water	90,317	155,225	-	-	64,908	-	64,908
Interest	25,359	-	-	-	(25,359)	-	(25,359)
Total Governmental Activities	3,163,578	986,806	232,688	-	(1,944,084)	-	(1,944,084)
Business-type Activities:							
Sewer	1,062,481	1,017,720	-	21,350	-	(23,411)	(23,411)
Total Primary Government	\$ 4,226,059	\$ 2,004,526	\$ 232,688	\$ 21,350	(1,944,084)	(23,411)	(1,967,495)

<b>General Revenues:</b>							
Property and Personalalty Taxes	870,647	-	-	-	870,647	-	870,647
Income Taxes	5,462	-	-	-	5,462	-	5,462
Sales Taxes	964,365	-	-	-	964,365	-	964,365
Hotel and Motel Taxes	2,545	-	-	-	2,545	-	2,545
Alcoholic Beverage Taxes	121,711	-	-	-	121,711	-	121,711
TVA - In Lieu of Taxes	88,558	-	-	-	88,558	-	88,558
Business Taxes	28,056	-	-	-	28,056	-	28,056
Miscellaneous Taxes	54,843	-	-	-	54,843	-	54,843
Investment Income	6,886	-	-	-	6,886	3,204	10,090
Miscellaneous	41,334	-	-	-	41,334	-	41,334
Gain on Disposal of Capital Assets, Net	10,829	-	-	-	10,829	5,084	15,913
<b>Transfers, Net</b>	29,118	-	-	-	29,118	(29,118)	-
Total General Revenues and Transfers	2,224,354	-	-	-	(20,830)	-	2,203,524
Change in Net Position	280,270	-	-	-	(44,241)	-	236,029
Net Position - June 30, 2017	6,700,649	-	-	-	6,321,806	-	13,022,455
Prior Period Adjustment	62,001	-	-	-	-	-	62,001
Net Position - June 30, 2018	\$ 7,042,920	\$ 6,277,565	-	-	\$ 13,320,485	-	\$ 13,320,485

See notes to financial statements.



CITY OF MILLERSVILLE, TENNESSEE  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General Fund	Solid Waste Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,948,186	\$ 381,224	\$ 477,262	\$ 2,806,672
Receivables, Net	1,003,960	43,244	45,065	1,092,269
Intergovernmental Receivables, Net	103,886	-	-	103,886
Due From Other Funds	6,088	1,385	-	7,473
Inventory	-	4,473	2,630	7,103
Prepaid Items	16,468	-	-	16,468
Restricted Cash	-	-	25,116	25,116
Total Assets	<u>\$ 3,078,588</u>	<u>\$ 430,326</u>	<u>\$ 550,073</u>	<u>\$ 4,058,987</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 133,275	\$ 26,801	\$ 17,703	\$ 177,779
Due To Other Funds	-	1,242	1,066	2,308
Unearned Revenue	-	36,982	-	36,982
Other Current Liabilities	147,734	2,077	25,116	174,927
Total Liabilities	<u>281,009</u>	<u>67,102</u>	<u>43,885</u>	<u>391,996</u>
<b>Deferred Inflows of Resources - Deferred Property Tax Revenue</b>	<u>936,612</u>	<u>-</u>	<u>-</u>	<u>936,612</u>
<b>Fund Balances:</b>				
Nonspendable:				
Inventory	-	4,473	2,630	7,103
Prepaid Expense	16,468	-	-	16,468
Restricted For:				
Solid Waste	-	358,751	-	358,751
State Street Aid	-	-	352,202	352,202
Drug Education and Investigations	-	-	54,961	54,961
Storm Water	-	-	96,247	96,247
Unassigned	1,845,703	-	-	1,845,703
Total Fund Balances	<u>1,862,171</u>	<u>363,224</u>	<u>506,040</u>	<u>2,731,435</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,079,792</u>	<u>\$ 430,326</u>	<u>\$ 549,925</u>	<u>\$ 4,060,043</u>
<b>Net Position - June 30, 2018</b>				<b>\$ 2,731,435</b>
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				286,688
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				5,041,083
Deferred Outflows of Resources not reported in the funds.				90,628
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(981,113)
Deferred Inflows of Resources not reported in the funds.				(125,801)
<b>Net Position of the Governmental Activities</b>				<b>\$ 7,042,920</b>

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Solid Waste Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Taxes	\$ 1,488,465	\$ -	\$ -	\$ 1,488,465
Licenses and Permits	68,568	-	700	69,268
Fines	277,090	-	-	277,090
Drug and Gambling Revenue	-	-	18,152	18,152
Intergovernmental Revenues	660,699	-	219,711	880,410
Charges for Services	33,505	433,566	155,225	622,296
Interest Income	5,598	607	681	6,886
Miscellaneous Revenues	10,084	2,520	10	12,614
Total Revenues	<u>2,544,009</u>	<u>436,693</u>	<u>394,479</u>	<u>3,375,181</u>
<b>Expenditures</b>				
Current:				
General Government	863,335	-	-	863,335
Public Safety	1,759,716	-	-	1,759,716
Parks and Recreation	95,459	-	-	95,459
Solid Waste	-	549,389	-	549,389
State Street Aid	-	-	350,555	350,555
Drug Fund	-	-	14,609	14,609
Storm Water	-	-	96,223	96,223
Debt Service:				
Principal	155,548	-	-	155,548
Interest	25,359	-	-	25,359
Total Expenditures	<u>2,899,417</u>	<u>549,389</u>	<u>461,387</u>	<u>3,910,193</u>
Excess of Expenditures Over Revenues	<u>(355,408)</u>	<u>(112,696)</u>	<u>(66,908)</u>	<u>(535,012)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	(15,410)	-	44,528	29,118
Proceeds from Sale of Capital Assets	1,597	-	-	1,597
Insurance Proceeds	9,232	-	-	9,232
Total Other Financing Sources (Uses)	<u>(4,581)</u>	<u>-</u>	<u>44,528</u>	<u>39,947</u>
<b>Net Change in Fund Balances</b>	<b>(359,989)</b>	<b>(112,696)</b>	<b>(22,380)</b>	<b>(495,065)</b>
<b>Fund Balances - June 30, 2017</b>	<b>2,177,777</b>	<b>475,920</b>	<b>510,802</b>	<b>3,164,499</b>
<b>Prior Period Adjustment</b>	<b>44,383</b>	<b>-</b>	<b>17,618</b>	<b>62,001</b>
<b>Fund Balances - June 30, 2018</b>	<b><u>\$ 1,862,171</u></b>	<b><u>\$ 363,224</u></b>	<b><u>\$ 506,040</u></b>	<b><u>\$ 2,731,435</u></b>

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different from the amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	\$ (495,065)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures and accumulated depreciation on disposals exceeded depreciation expense and proceeds from disposals in the current period.

578,256

Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension expenditures in the current period.

(47,882)

The issuance of long-term debt 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items such as interest.

155,548

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.

89,413

Change in net position of governmental activities

\$ 280,270



CITY OF MILLERSVILLE, TENNESSEE  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Major Governmental Funds  
For the Year Ended June 30, 2018

	General Fund				Solid Waste Fund			
	Budgeted Amounts		Actual	Variance Positive (Negative)	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final			Original	Final		
<b>Revenues</b>								
Local Taxes:								
Property and Personalty Taxes	\$ 865,555	\$ 865,555	\$ 870,647	\$ 5,092	\$ -	\$ -	\$ -	\$ -
Sales Taxes	450,000	450,000	417,589	(32,411)	-	-	-	-
Alcoholic Beverage Taxes	118,000	118,000	118,707	707	-	-	-	-
Cable Taxes	55,000	55,000	50,921	(4,079)	-	-	-	-
Business Taxes	25,000	25,000	28,056	3,056	-	-	-	-
Hotel and Motel Taxes	-	-	2,545	2,545	-	-	-	-
Licenses and Permits	40,500	40,500	68,568	28,068	-	-	-	-
Fines	352,500	352,500	277,090	(75,410)	-	-	-	-
Intergovernmental Revenues:								
Sales Taxes	525,000	525,000	546,777	21,777	-	-	-	-
Petroleum Special Taxes	13,000	13,000	12,976	(24)	-	-	-	-
Income Taxes	-	-	5,462	5,462	-	-	-	-
Alcoholic Beverage Taxes	3,100	3,100	3,004	(96)	-	-	-	-
Telecommunications Taxes	600	600	1,303	703	-	-	-	-
Corporate Excise Taxes	1,200	1,200	2,619	1,419	-	-	-	-
TVA - In Lieu of Taxes	85,000	85,000	88,558	3,558	-	-	-	-
Charges for Services	38,600	38,600	33,505	(5,095)	410,000	410,000	433,566	23,566
Interest Income	4,000	4,000	5,598	1,598	650	650	607	(43)
Miscellaneous Revenues	15,000	15,000	10,084	(4,916)	2,000	2,000	2,520	520
Total Revenues	2,592,055	2,592,055	2,544,009	(48,046)	412,650	412,650	436,693	24,043
<b>Expenditures</b>								
Current:								
General Government:								
Salaries and Benefits	346,161	346,161	338,485	7,676	-	-	-	-
General and Administrative	170,495	170,495	164,101	6,394	-	-	-	-
Contractual Services	311,606	321,606	246,555	75,051	-	-	-	-
Supplies and Miscellaneous	31,600	31,600	18,796	12,804	-	-	-	-
Repairs and Maintenance	15,500	15,500	12,728	2,772	-	-	-	-
Capital Outlay	113,600	113,600	82,670	30,930	-	-	-	-
Public Safety - Police:								
Salaries and Benefits	862,198	862,198	824,583	37,615	-	-	-	-
General and Administrative	51,338	51,338	35,008	16,330	-	-	-	-
Contractual Services	10,255	10,255	10,912	(657)	-	-	-	-
Supplies and Miscellaneous	73,211	73,211	82,887	(9,676)	-	-	-	-
Repairs and Maintenance	30,500	30,500	29,626	874	-	-	-	-
Capital Outlay	32,000	57,000	56,031	969	-	-	-	-
Public Safety - Fire:								
Salaries and Benefits	195,787	195,787	176,401	19,386	-	-	-	-
General and Administrative	31,214	31,214	21,199	10,015	-	-	-	-
Contractual Services	14,155	14,155	11,303	2,852	-	-	-	-
Supplies and Miscellaneous	47,510	57,020	36,557	20,463	-	-	-	-
Repairs and Maintenance	28,000	28,000	22,718	5,282	-	-	-	-
Capital Outlay	444,705	469,628	452,491	17,137	-	-	-	-
Parks and Recreation:								
Salaries and Benefits	48,704	48,704	47,918	786	-	-	-	-
General and Administrative	29,210	29,210	28,866	344	-	-	-	-
Contractual Services	8,000	8,000	8,684	(684)	-	-	-	-
Supplies and Miscellaneous	5,100	5,100	3,967	1,133	-	-	-	-
Repairs and Maintenance	11,000	11,000	6,024	4,976	-	-	-	-
Capital Outlay	32,000	32,000	-	32,000	-	-	-	-
Solid Waste:								
Salaries and Benefits	-	-	-	-	101,139	101,139	100,174	965
General and Administrative	-	-	-	-	11,702	11,702	8,663	3,039
Disposal Fees	-	-	-	-	17,000	17,000	16,436	564
Contractual Services	-	-	-	-	266,770	266,770	267,558	(788)
Supplies and Miscellaneous	-	-	-	-	7,500	7,500	6,384	1,116
Repairs and Maintenance	-	-	-	-	5,500	5,500	7,634	(2,134)
Capital Outlay	-	-	-	-	150,000	150,000	142,540	7,460
Debt Service:								
Principal	143,798	143,798	155,548	(11,750)	-	-	-	-
Interest	34,241	(192)	25,359	(25,551)	-	-	-	-
Total Expenditures	3,121,888	3,156,888	2,899,417	257,471	559,611	559,611	549,389	10,222
Excess of Revenues Over (Under) Expenditures	(529,833)	(564,833)	(355,408)	209,425	(146,961)	(146,961)	(112,696)	34,265
<b>Other Financing Sources (Uses)</b>								
Transfers In (Out)	(25,731)	(40,574)	(15,410)	25,164	-	-	-	-
Proceeds from Sale of Capital Assets	3,500	3,500	1,597	(1,903)	-	-	-	-
Insurance Proceeds	-	-	9,232	9,232	-	-	-	-
Total Other Financing Sources (Uses)	(22,231)	(37,074)	(4,581)	32,493	-	-	-	-
<b>Net Change in Fund Balances</b>	(552,064)	(601,907)	(359,989)	241,918	(146,961)	(146,961)	(112,696)	34,265
<b>Fund Balances - June 30, 2017</b>	2,177,777	2,177,777	2,177,777	-	475,920	475,920	475,920	-
<b>Prior Period Adjustment</b>	-	-	44,383	44,383	-	-	-	-
<b>Fund Balances - June 30, 2018</b>	\$ 1,625,713	\$ 1,575,870	\$ 1,862,171	\$ 286,301	\$ 328,959	\$ 328,959	\$ 363,224	\$ 34,265

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2018**

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 1,029,555
Accounts Receivable, Net Allowance of \$148,757	169,637
Inventory	31,836
Prepaid Items	1,830
Total Current Assets	<u>1,232,858</u>
<b>Capital Assets</b>	
Property, Plant, and Equipment	9,533,409
Accumulated Depreciation	<u>(4,301,814)</u>
Total Capital Assets	<u>5,231,595</u>
<b>Other Assets</b>	
Net Pension Asset	<u>32,793</u>
Total Assets	<u>6,497,246</u>
<b>Deferred Outflows of Resources</b>	
Deferred Pensions	<u>5,974</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	59,041
Accrued Wages, Payroll Taxes and Payroll Deductions	4,828
Accrued Compensated Absences	7,361
Due to Other Funds	<u>6,221</u>
Total Current Liabilities	77,451
<b>Long Term Liabilities</b>	
Long Term Debt	<u>135,949</u>
Total Liabilities	<u>213,400</u>
<b>Deferred Inflows of Resources</b>	
Deferred Pensions	<u>12,255</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,095,646
Restricted for Other Purposes	32,793
Unrestricted	<u>1,149,126</u>
Total Net Position	<u>\$ 6,277,565</u>

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2018**

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 1,017,720
<b>Operating Expenses</b>	
Salaries and Taxes	167,274
Employee Benefits	48,038
Professional/Contractual Services	20,854
Repairs and Maintenance	53,061
Supplies	30,011
Sewer Pretreatment and Treatment	315,456
Meter Reading Fees	11,158
Sewer Transport	114,682
Utility Services	14,780
Depreciation and Amortization	246,189
Miscellaneous	7,096
Other Operating Expenses	33,882
Total Operating Expenses	<u>1,062,481</u>
Loss from Operations	<u>(44,761)</u>
<b>Non-Operating Revenue (Expenses)</b>	
Interest Revenue	3,204
Gain on Disposal of Capital Assets	5,084
Total Non-Operating Revenue (Expenses)	<u>8,288</u>
Loss Before Contributions and Transfers	(36,473)
<b>Tap and Connection Fees - Contributions</b>	21,350
<b>Transfers</b>	<u>(29,118)</u>
Decrease in Net Position	(44,241)
<b>Net Position - June 30, 2017</b>	<u>6,321,806</u>
<b>Net Position - June 30, 2018</b>	<u><u>\$ 6,277,565</u></u>

See notes to financial statements.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2018**

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 850,876
Cash Payments to Suppliers for Goods and Services	(623,899)
Cash Payments to Employees for Services	(220,406)
Net Cash Provided by Operating Activities	<u>6,571</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers to Other Funds	(29,118)
Net Cash Used by Noncapital Financing Activities	<u>(29,118)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from Debt Issuance	135,949
Cash Received from Tap Fees and Connection Fees	21,350
Acquisition of Capital Assets	(248,673)
Net Cash Used by Capital and Related Financing Activities	<u>(91,374)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	3,204
Net Cash Provided by Investing Activities	<u>3,204</u>
<b>Net Decrease in Cash</b>	(110,717)
<b>Cash at Beginning of Year</b>	<u>1,140,272</u>
<b>Cash at End of Year</b>	<u>\$ 1,029,555</u>
<b>Reconciliation of Loss from Operations to Net Cash Provided by Operating Activities:</b>	
Loss from Operations	\$ (44,761)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	246,189
Gain on Sale of Capital Assets	5,084
(Increase) Decrease in:	
Accounts Receivable, Net	(31,929)
Net Pension Asset	(11,350)
Deferred Outflows - Pensions	5,754
Increase (Decrease) in:	
Accounts Payable	(22,919)
Accrued Wages, Payroll Taxes and Payroll Deductions	250
Accrued Compensated Absences	693
Due to Other Funds	(139,999)
Deferred Inflows - Pensions	(441)
Net Cash Provided by Operating Activities	<u>\$ 6,571</u>

See notes to financial statements.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

The City of Millersville, Tennessee was incorporated May 28, 1981 under the provisions of *Tennessee Code Annotated*, Sections 6-18-101, and held its first organizational meeting on July 7, 1981. The City operates under a City Manager-Commissioner form of government and provides the following services as authorized by its charter: Public Safety (fire and police), Roads and Streets, Public Improvements, Planning and Zoning, and General Administrative Services.

The City of Millersville's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City of Millersville are described below.

**A. Reporting Entity**

The City of Millersville ("The City") is a municipality governed by an elected five-member commission, including a mayor and vice-mayor. These financial statements present the financial position and activities of the City government only. The City has no component units, thus no blended or discretely presented component units are included in these financial statements.

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City has its funds classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**B. Government-wide and Fund Financial Statements – Continued**

Governmental funds are used to account for all or most of a government's general activities including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The following is a list of the City's funds:

**Governmental Fund Types**

General Fund – Primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Special Revenue Funds – Accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions or committed or assigned to finance specific activities. The Special Revenue Funds consist of the following:

Solid Waste Fund – Accounts for revenues and expenditures for solid waste collection. This fund is considered a major fund for reporting purposes.

State Street Aid – Accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets. This fund is not considered a major fund for reporting purposes.

Drug Fund – Accounts for revenues from drug fines and forfeited goods received. State law requires usage of those monies to further drug education and investigations. This fund is not considered a major fund for reporting purposes.

Storm Water Fund – Accounts for revenues and expenditures for storm water system planning and management. This fund is not considered a major fund for reporting purposes.

**Proprietary Fund Types**

Enterprise Fund – The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting – Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the necessary costs to provide the services including the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Budgets and Budgetary Accounting**

The City uses the modified accrual basis for budgetary accounting in government funds and full accrual basis for budgetary accounting in proprietary funds and has established procedures with regard to the budgetary data reflected in the financial statements. Prior to June 30, the proposed operating budgets are presented to the commission for their approval. The budget is legally enacted through the passage of an ordinance which also sets the tax rate. The City Manager is authorized to transfer budget amounts between line items within the various categories in the individual funds; however, any revisions that alter the total appropriations of any fund require commission action.

**E. Cash and Cash Equivalents**

The City defines its cash and cash equivalents to include only cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash. State statutes authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, certain federal nonconvertible debt securities, repurchase agreements and the State Treasurer's Investment Pool. Cash equivalents are stated at cost. Any unspent proceeds from debt is included in restricted cash.

**F. Inventories and Prepaid Items**

Inventory for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using first-in, first-out (FIFO) method. The costs of governmental funds inventories 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their estimated fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and a useful life of more than three years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

	<b>Estimated Useful Life (Years)</b>
Buildings	40
Improvements	40
Machinery & Equipment	2 - 20
Sewer Trunk Lines	50

Outlays for capital assets and improvements are capitalized, as projects are constructed, in accordance with the City's capitalization policy. Interest and indirect costs incurred during the construction phase of capital assets of proprietary funds are reflected in the capitalized value of the asset constructed. Depreciation/amortization expense is allocated to functions/programs and included as a direct expense in the Statement of Activities. Capital assets that are under construction or development and have not been completed are put into Construction in Progress and are presented as a capital asset not being depreciated on the Statement of Net Position. Property under capital leases is stated at the lower of present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in service, such property is amortized using the straight-line method over the remaining lease term.

**H. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Individuals employed on or before November 17, 1998 may accrue up to three weeks of vacation time. Employees who began or renewed their employment after November 17, 1998 earn vacation time as follows:

<b>Completed Months of Service</b>	<b>Weeks Earned Per Year</b>
12 - 24	1
25 - 96	2
97 - 180	3
Over 180	4

Sick leave accrues at the rate of 8 hours per month with a maximum accumulation of 180 days. Upon the termination of employment, an employee is paid his/her unused vacation time.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**H. Compensated Absences – Continued**

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

**I. Interfund Balances and Transfers**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due to/ Due 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**J. Long-Term Liabilities**

Long-term liabilities consist of notes, and other indebtedness including liabilities associated with compensated absences and postretirement benefits.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**K. Property Tax**

Taxes are levied on October 1 each year and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1 of the following year. The City bills and collects its own property taxes. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

Under the *GASB Codification of Governmental Accounting and Financial Reporting Standards, Section N50, Nonexchange Transactions*, property taxes are imposed nonexchange revenue. Assets (accounts receivable) from imposed nonexchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as of January 1. Therefore, the City has recorded the succeeding year's receivable and deferred inflow of resources for taxes assessed as of year-end that will not be received until after year-end.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**M. Fund Balance**

The City classifies fund balances in accordance with the *GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 1800.165, Fund Balance Reporting*. The following classifications describe the relative strength of the spending constraints as defined in the City's fund balance policy:

Nonspendable Fund Balance – 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 and property acquired for resale), or (b) legally or contractually required to be maintained intact (i.e., principal of permanent funds).

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

Committed Fund Balance – Amounts constrained to be used for a specific purpose as per action by the Board of Commissioners (by ordinance). 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 Fund Balance – Amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Commissioners or a designee authorized by the Board of Commissioners for a specific purpose in accordance with policy established by the Board of Commissioners. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. It does not require formal action. This classification includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned Fund Balance – Amounts available for any purpose (amounts that are not nonspendable, restricted, committed or assigned) in the General Fund. It represents the resources available for future spending. This classification includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. An appropriate level of unassigned fund balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies – Continued**

**M. Fund Balance – Continued**

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the City to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

**N. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Government-wide and proprietary fund net position are divided into three components:

Net Investment in Capital Assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position – consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City less related liabilities and deferred inflows of resources). Restrictions from enabling legislation include the State Street Aid Fund, Solid Waste Fund, Storm Water Fund and Drug Fund.

Unrestricted – all other net position is reported in this category.

When an expense is incurred for the purpose for which both restricted and unrestricted net position are available, the City's policy is to first apply restricted resources.

**O. Contributions of Capital**

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. These contributions are recognized as revenue.

**P. Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash and Investments**

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 2. Cash and Investments – Continued**

All of the City's deposits and investments were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant 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 individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

**Note 3. Property Taxes Receivable**

Gross property taxes receivable of \$1,032,433 (allowance for doubtful accounts is \$32,011) are summarized, by year, on the Schedule of Changes in Property Taxes Receivable on page 39 of this report.

**Note 4. Interfund Balances and Transfers**

The composition of interfund balances is as follows:

Due To	Due From				
	General Fund	Solid Waste Fund	Storm Water Fund	State Street Aid Fund	Sewer Fund
General Fund	\$ -	\$ 1,242	\$ 1,140	\$ 602	\$ 4,308
Solid Waste Fund	-	-	-	-	1,385
State Street Aid Fund	-	-	-	-	-
Drug Fund	-	-	-	-	-
Storm Water Fund	-	-	-	-	528
Total	\$ -	\$ 1,242	\$ 1,140	-	\$ 6,221

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts do not represent loans.

Interfund transfers during the year were as follows:

Transfer To	Transfer From	
	General Fund	Sewer Fund
General Fund	\$ -	\$ 29,118
State Street Aid Fund	44,528	-
Total	\$ 44,528	\$ 29,118

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 5. Capital Assets**

The following is a summary of the changes in capital assets:

	Balance 6/30/2017	Additions	Disposals	Balance 6/30/2018
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 603,801	\$ -	\$ -	\$ 603,801
Construction in Progress	46,172	133,249	-	179,421
Total Capital Assets not being Depreciated	649,973	133,249	-	783,222
Capital Assets being Depreciated				
Buildings & Improvements	4,080,390	190,247	-	4,270,637
Equipment & Furniture	1,113,380	16,693	-	1,130,073
Vehicles	1,560,789	632,656	22,973	2,170,472
Property under Capital Lease	132,996	-	-	132,996
Total Capital Assets being Depreciated	6,887,555	839,596	22,973	7,704,178
Accumulated Depreciation				
Buildings & Improvements	1,269,712	202,556	-	1,472,268
Equipment & Furniture	731,685	59,921	-	791,606
Vehicles	1,073,303	132,112	22,973	1,182,442
Total Accumulated Depreciation	3,074,700	394,589	22,973	3,446,316
<b>Total Governmental Activities, Net</b>	<b>\$ 4,462,828</b>	<b>\$ 578,256</b>	<b>\$ -</b>	<b>\$ 5,041,084</b>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 47,268	\$ -	\$ -	\$ 47,268
Construction in Progress	-	139,356	-	139,356
Total Capital Assets not being Depreciated	47,268	139,356	-	186,624
Capital Assets being Depreciated				
Buildings & Improvements	97,854	-	-	97,854
Equipment & Furniture	264,286	-	-	264,286
Vehicles	231,213	35,416	26,733	239,896
Sewer Collections	8,670,848	73,903	-	8,744,751
Total Capital Assets being Depreciated	9,264,201	109,319	26,733	9,346,787
Accumulated Depreciation				
Buildings & Improvements	57,956	2,716	-	60,672
Equipment & Furniture	133,188	14,729	-	147,917
Vehicles	227,796	6,958	26,733	208,021
Sewer Collections	3,663,418	221,787	-	3,885,205
Total Accumulated Depreciation	4,082,358	246,190	26,733	4,301,815
<b>Total Business-type Activities, Net</b>	<b>\$ 5,229,111</b>	<b>\$ 2,485</b>	<b>\$ -</b>	<b>\$ 5,231,596</b>

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 5. Capital Assets - Continued**

Depreciation Expense by Function	
General Government	\$ 33,194
Public Safety	86,194
State Street Aid	152,263
Parks & Recreation	84,706
Solid Waste	37,080
Storm Water	1,152
	<u>\$ 394,589</u>
Sewer	<u>\$ 246,190</u>

**Note 6. Pension Plan**

**A. General Information**

*Plan Description*

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. 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.state.tn.gov/tcrs](http://www.treasury.state.tn.gov/tcrs).

*Benefits Provided*

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

*Employees Covered by Benefit Terms*

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	58
Active employees	<u>31</u>
	<u>98</u>

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the contributions for the City were \$24,106 based on a rate of 1.95% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 6. Pension Plan – Continued**

**A. General information – Continued**

earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**B. Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

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

Inflation	2.50%
Salary Increases	Graded salary ranges from 8.72% to 3.46% based on age, including inflation, averaging 4.00%
Investment Rate of Return	7.25%, net of pension plan investment, including inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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

*Changes of assumptions*

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified the mortality assumptions.

The long-term expected rate of return on pension plan investments was 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 best-estimate of expected future real rates of return (expected returns, net 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 2.50 percent. 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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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 percent based on a blending of the factors described above.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 6. Pension Plan – Continued**

**B. Net Pension Liability (Asset) – Continued**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net 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 the total pension liability.

**C. Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at June 30, 2016</b>	\$ 1,768,960	\$ 1,982,635	\$ (213,675)
<b>Changes for the Year:</b>			
Service Cost	74,416	-	74,416
Interest	134,086	-	134,086
Differences Between Expected and Actual Experience	(33,252)	-	(33,252)
Changes in Assumptions	59,414	-	59,414
Contributions - Employer	-	55,521	(55,521)
Contributions - Employee	-	62,524	(62,524)
Net Investment Income	-	224,947	(224,947)
Benefit Payments, Including Refunds of Employee Contributions	(111,135)	(111,135)	-
Administrative Expense	-	(2,522)	2,522
<b>Net Changes</b>	<u>123,529</u>	<u>229,335</u>	<u>(105,806)</u>
<b>Balance at June 30, 2017</b>	<u>\$ 1,892,489</u>	<u>\$ 2,211,970</u>	<u>\$ (319,481)</u>

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ (52,640)	\$ (319,481)	\$ (538,334)

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 6. Pension Plan – Continued**

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

*Negative Pension Expense*

For the year ended June 30, 2018, the City recognized negative pension expense of \$32,171.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 21,547	\$ 136,449
Net Difference Between Projected and Actual Earnings of Pension Plan Investments	-	1,607
Changes in Assumptions	50,926	-
Contributions Subsequent to the Measurement Date of June 30, 2017	24,129	<i>(Not applicable)</i>
	<u>\$ 96,602</u>	<u>\$ 138,056</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2019	\$ (31,809)
2020	(4,286)
2021	(20,182)
2022	(16,777)
2023	3,738
Thereafter	3,738

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

**E. Payable to the Pension Plan**

At June 30, 2018, the City had no payable balances for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 7. Long-Term Debt**

**A. Governmental Activities**

The following is a summary of changes to long-term liabilities in the Governmental activities during the year:

	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2018</b>	<b>Due Within 1 Year</b>
Compensated Absences	<u>\$ 41,513</u>	<u>\$ 50,222</u>	<u>\$ 41,513</u>	<u>\$ 50,222</u>	<u>\$ 50,222</u>
Notes Payable	\$ 1,021,436	\$ -	\$ 123,564	\$ 897,872	\$ 162,581
Capital Lease	65,003	-	31,984	33,019	33,019
Totals	<u>\$ 1,086,439</u>	<u>\$ -</u>	<u>\$ 155,548</u>	<u>\$ 930,891</u>	<u>\$ 195,600</u>

Long-term debt and obligations payable are comprised of the following:

Note Payable to a Bank for the Community Center, Original Amount of \$1.4 million, Bearing Interest at LIBOR plus 1.152% Per Annum, Payable in Monthly Installments of \$12,102, with the Final Payment Due March 2022. \$ 507,089

Capital Lease Payable to a Bank for Four Dodge Charger Police Vehicles, Original Amount of \$132,996, Bearing Interest at 3.4% Per Annum, Payable in Annual Installments of \$34,240 with the Final Payment Due August 2018. 33,019

Note Payable to a Bank for a Fire Engine, Original Amount of \$390,783, Bearing Interest at 2.88% Per Annum, Payable in Annual Installments Between \$34,277 and \$44,257, with the Final Payment Due July 2027. The Fire Engine is Under Construction at Year-end. 390,783

930,891

Less Current Portion (195,600)

Total Governmental Activities Long-Term Debt \$ 735,291

Below is a condensed government-wide schedule of maturities for notes payable. A detailed Schedule of Long-term Debt, Principal, and Interest Requirements are included on page 38 of this report.

	<b>Total</b>	
<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 195,600	\$ 28,329
2020	168,490	21,246
2021	174,616	15,091
2022	144,547	8,823
2023	38,399	6,026
2024-2028	209,239	12,394
Total	<u>\$ 930,891</u>	<u>\$ 91,909</u>



**CITY OF MILLERSVILLE, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2018**

**Note 7. Long-Term Debt – Continued**

**B. Business-type Activities**

The following is a summary of changes to long-term debt in the Business-type activities during the year:

	<b>Balance 6/30/2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2018</b>	<b>Due Within 1 Year</b>
Compensated Absences	\$ 6,668	\$ 7,361	\$ 6,668	\$ 7,361	\$ 7,361
State Revolving Loan	\$ -	\$ 135,949	\$ -	\$ 135,949	\$ -

**Note 8. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The plan does allow loans. The plan's investments are held in trust by TCRS. The City does not match employee deferrals.

**Note 9. Contracts**

The City has contracts and/or agreements with the City of Goodlettsville, Department of Water Services of Metropolitan Nashville, Nashville Electric Service, Cumberland Electric Membership Corporation, Piedmont Natural Gas, White House Utility District and Waste Industries to provide utility and solid waste services in Sumner and Robertson counties. These providers, with the exception of Waste Industries, are sole-source suppliers for utility services. The City is a member of the Cumberland River Water Improvement Authority, a regional wastewater authority.

**Note 10. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TMLRMP), a public entity risk pool currently operating as a common risk management and insurance program for municipalities. The City pays an annual premium to the TMLRMP for its insurance coverage. The TMLRMP is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Settled claims of the City have not exceeded coverage in any of the past three fiscal years.

**Note 11. Prior Period Adjustment**

The City adjusted the accounting for cutoff of certain tax payments assessed in one period and received in a subsequent period to include them in the proper period of availability. The adjustment resulted in a correction of the prior fund balance and net assets of the City's general and state street aid funds on the balance sheets and the governmental activities on the government-wide statement of net position as follows:

	<b>General Fund</b>	<b>State Street Aid Fund</b>	<b>Governmental Activities</b>
Fund Balance - 7/1/17	\$ 2,177,777	\$ 422,796	
Prior Period Adjustment	44,383	17,618	
Fund Balance - 7/1/17 (restated)	<u>\$ 2,222,160</u>	<u>\$ 440,414</u>	
Net Position - 7/1/17			\$ 6,700,649
Prior Period Adjustment			62,001
Net Position - 7/1/17 (restated)			<u>\$ 6,762,650</u>

**CITY OF MILLERSVILLE, TENNESSEE**  
**Required Supplementary Information\*\***  
**Schedule of Changes in Net Pension Liability (Asset) and**  
**Related Ratios Based on Participation in the**  
**Public Employee Pension Plan of TCRS**  
**Last Fiscal Year ending June 30,**

	2014	2015	2016	2017
<b>Total Pension Liability (Asset)</b>				
Service Cost	\$ 72,983	\$ 66,903	\$ 66,194	\$ 74,416
Interest	122,231	115,238	126,671	134,086
Changes in Benefit Terms	-	-	-	-
Differences Between Actual & Expected Experience	(202,428)	43,093	(31,787)	(33,252)
Change of Assumptions	-	-	-	59,414
Benefit Payments, Including Refunds of Employee Contributions	(45,473)	(114,401)	(29,754)	(111,135)
<b>Net Change in Total Pension Liability</b>	<b>(52,687)</b>	<b>110,833</b>	<b>131,324</b>	<b>123,529</b>
<b>Total Pension Liability (Asset) - Beginning</b>	<b>1,579,490</b>	<b>1,526,803</b>	<b>1,637,636</b>	<b>1,768,960</b>
<b>Total Pension Liability (Asset) - Ending (a)</b>	<b>\$ 1,526,803</b>	<b>\$ 1,637,636</b>	<b>\$ 1,768,960</b>	<b>\$ 1,892,489</b>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 60,091	\$ 50,556	\$ 54,230	\$ 55,521
Contributions - Employee	59,145	56,933	61,071	62,524
Net Investment Income	251,222	55,381	50,162	224,947
Benefit Payments, Including Refunds of Employee Contributions	(45,473)	(114,401)	(29,754)	(111,135)
Administrative Expense	(1,108)	(1,472)	(2,387)	(2,522)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>323,877</b>	<b>46,997</b>	<b>133,322</b>	<b>229,335</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,478,440</b>	<b>1,802,317</b>	<b>1,849,313</b>	<b>1,982,635</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,802,317</b>	<b>\$ 1,849,313</b>	<b>\$ 1,982,635</b>	<b>\$ 2,211,970</b>
 <b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<b>\$ (275,514)</b>	<b>\$ (211,677)</b>	<b>\$ (213,675)</b>	<b>\$ (319,481)</b>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)</b>	<b>118.05%</b>	<b>112.93%</b>	<b>112.08%</b>	<b>116.88%</b>
 <b>Covered Payroll</b>	<b>\$ 1,182,887</b>	<b>\$ 1,138,659</b>	<b>\$ 1,221,399</b>	<b>\$ 1,250,479</b>
 <b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(23.29%)</b>	<b>(18.59%)</b>	<b>(17.49%)</b>	<b>(25.55%)</b>

\*\* GASB 68 requires a 10-year schedule for this data to be presented *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

CITY OF MILLERSVILLE, TENNESSEE  
Required Supplementary Information\*\*  
Schedule of Contributions  
Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30,

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 60,091	\$ 50,556	\$ 54,230	\$ 55,521	\$ 24,106
Contributions in Relation to the Actuarially Determined Contribution	60,091	50,556	54,230	55,521	24,106
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,182,887	\$ 1,138,659	\$ 1,221,399	\$ 1,250,479	\$ 1,236,216
Contributions as a Percentage of Covered Payroll	5.08%	4.44%	4.44%	4.44%	1.95%

\*\* GASB 68 requires a 10-year schedule for this data to be presented with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**Notes to Schedule**

*Valuation Date:* Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 actuarial valuation.

*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	Various
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	Not provided



CITY OF MILLERSVILLE, TENNESSEE  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2018

	Special Revenue Funds			Total Non-major Governmental Funds
	State Street Aid	Drug Fund	Storm Water Fund	
<b>Assets</b>				
Cash	\$ 350,153	\$ 54,961	\$ 72,148	\$ 477,262
Receivables, Net	19,467	-	25,598	45,065
Due From Other Funds	-	-	528	528
Inventory	2,630	-	-	2,630
Restricted Cash	-	25,116	-	25,116
Total Assets	<u>\$ 372,250</u>	<u>\$ 80,077</u>	<u>\$ 98,274</u>	<u>\$ 550,601</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 16,816	\$ -	\$ 887	\$ 17,703
Due To Other Funds	602	-	1,140	1,742
Other Current Liabilities	-	25,116	-	25,116
Total Liabilities	<u>17,418</u>	<u>25,116</u>	<u>2,027</u>	<u>44,561</u>
<b>Fund Balances</b>				
Nonspendable - Inventory	2,630	-	-	2,630
Restricted For:				
State Street Aid	352,202	-	-	352,202
Drug Education and Investigations	-	54,961	-	54,961
Storm Water	-	-	96,247	96,247
Total Fund Balances	<u>354,832</u>	<u>54,961</u>	<u>96,247</u>	<u>506,040</u>
Total Liabilities and Fund Balances	<u>\$ 372,250</u>	<u>\$ 80,077</u>	<u>\$ 98,274</u>	<u>\$ 550,601</u>

See independent auditor's report.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>			<b>Total Non-major Governmental Funds</b>
	<b>State Street Aid</b>	<b>Drug Fund</b>	<b>Storm Water Fund</b>	
<b>Revenues</b>				
Licenses and Permits	\$ 200	\$ -	\$ 500	\$ 700
Drug and Gambling Revenue	-	18,152	-	18,152
Intergovernmental Revenues	219,711	-	-	219,711
Charges for Services	-	-	155,225	155,225
Interest Income	534	80	67	681
Miscellaneous Revenues	-	10	-	10
Total Revenues	<u>220,445</u>	<u>18,242</u>	<u>155,792</u>	<u>394,479</u>
<b>Expenditures</b>				
Current:				
State Street Aid	113,269	-	-	113,269
Drug Fund	-	14,609	-	14,609
Storm Water	-	-	91,894	91,894
Capital Outlay	237,286	-	4,329	241,615
Total Expenditures	<u>350,555</u>	<u>14,609</u>	<u>96,223</u>	<u>461,387</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(130,110)</u>	<u>3,633</u>	<u>59,569</u>	<u>(66,908)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	44,528	-	-	44,528
Proceeds from Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>44,528</u>	<u>-</u>	<u>-</u>	<u>44,528</u>
<b>Net Change in Fund Balances</b>	<u>(85,582)</u>	<u>3,633</u>	<u>59,569</u>	<u>(22,380)</u>
<b>Fund Balances - June 30, 2017</b>	<u>422,796</u>	<u>51,328</u>	<u>36,678</u>	<u>510,802</u>
<b>Prior Period Adjustment</b>	<u>17,618</u>	<u>-</u>	<u>-</u>	<u>17,618</u>
<b>Fund Balances - June 30, 2018</b>	<u>\$ 354,832</u>	<u>\$ 54,961</u>	<u>\$ 96,247</u>	<u>\$ 506,040</u>

See independent auditor's report.

CITY OF MILLERSVILLE, TENNESSEE  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Non-major Special Revenue Funds  
For the Year Ended June 30, 2018

	State Street Aid Fund				Drug Fund				Storm Water Fund			
	Original Budget	Final Budgeted	Actual	Variance Positive (Negative)	Original Budget	Final Budgeted	Actual	Variance Positive (Negative)	Original Budget	Final Budgeted	Actual	Variance Positive (Negative)
<b>Revenues</b>												
Licenses and Permits	\$ -	\$ -	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 500	\$ 500	\$ -
Drug and Gambling Revenue	-	-	-	-	15,000	15,000	17,582	2,582	-	-	-	-
Intergovernmental Revenues	185,000	185,000	219,711	34,711	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	8,000	8,000	570	(7,430)	153,000	153,000	155,225	2,225
Interest Income	450	450	534	84	30	30	80	50	45	45	67	22
Miscellaneous Revenues	-	-	-	-	-	-	10	10	-	-	-	-
Total Revenues	185,450	185,450	220,445	34,995	23,030	23,030	18,242	(4,788)	153,545	153,545	155,792	2,247
<b>Expenditures</b>												
Current:												
Salaries and Benefits	50,731	65,574	44,467	21,107	-	-	-	-	70,518	70,518	59,451	11,067
General and Administrative	700	700	2,102	(1,402)	3,330	3,330	1,005	2,325	6,000	6,000	3,805	2,195
Contractual Services	10,000	10,000	3,215	6,785	-	-	-	-	26,000	26,000	27,261	(1,261)
Supplies and Miscellaneous	92,300	92,300	56,888	35,412	19,700	19,700	13,604	6,096	4,000	4,000	1,377	2,623
Repairs and Maintenance	10,450	10,450	6,597	3,853	-	-	-	-	500	500	-	500
Capital Outlay	200,000	275,000	237,286	37,714	-	-	-	-	10,000	10,000	4,329	5,671
Total Expenditures	364,181	454,024	350,555	103,469	23,030	23,030	14,609	8,421	117,018	117,018	96,223	20,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,731)	(268,574)	(130,110)	138,464	-	-	3,633	3,633	36,527	36,527	59,569	23,042
<b>Other Financing Sources (Uses)</b>												
Transfers In	50,731	65,574	44,528	(21,046)	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	50,731	65,574	44,528	(21,046)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(128,000)	(203,000)	(85,582)	117,418	-	-	3,633	3,633	36,527	36,527	59,569	23,042
Fund Balances - June 30, 2017	422,796	422,796	422,796	-	51,328	51,328	51,328	-	36,678	36,678	36,678	-
Prior Period Adjustment	-	-	17,618	17,618	-	-	-	-	-	-	-	-
Fund Balances - June 30, 2018	\$ 294,796	\$ 219,796	\$ 354,832	\$ 135,036	\$ 51,328	\$ 51,328	\$ 54,961	\$ 3,633	\$ 73,205	\$ 73,205	\$ 96,247	\$ 23,042



**CITY OF MILLERSVILLE, TENNESSEE**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended June 30, 2018**

<u>Grantor / Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>				
Tennessee Department of Environment and Conservation Division of Water Resources	State Revolving Loan Fund	N/A	CW6 2017-391	\$ 135,949
Total Federal Awards and State Financial Assistance				<u>\$ 135,949</u>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of The City of Millersville, Tennessee, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule only presents a selected portion of the operations of City of Millersville, Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Millersville, Tennessee.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Millersville, Tennessee, has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2. Loans Outstanding**

An agreement under CFDA Number 66.458 was executed during 2017 for a total of \$518,000 of federal and state funds combined with a \$51,800 loan forgiveness. The balance outstanding as of June 30, 2018 is \$135,949. No portion has been forgiven as of June 30, 2018.

**CITY OF MILLERSVILLE, TENNESSEE**  
**Schedule of Long-Term Debt, Principal, and Interest Requirements**  
**By Fiscal Year**  
**For the Year Ended June 30, 2018**

Fiscal Year Ended June 30,	Governmental Activities							
	Regions Note Payable Community Center		Magnolia Bank, Inc. Police Vehicles		First Tennessee Note Payable Fire Engine		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 128,304	\$ 16,915	\$ 33,019	\$ 1,147	\$ 34,277	\$ 10,267	\$ 195,600	\$ 28,329
2020	133,226	11,994	-	-	35,264	9,252	168,490	21,246
2021	138,336	6,884	-	-	36,280	8,207	174,616	15,091
2022	107,223	1,691	-	-	37,324	7,132	144,547	8,823
2023	-	-	-	-	38,399	6,026	38,399	6,026
2024	-	-	-	-	39,505	4,888	39,505	4,888
2025	-	-	-	-	40,643	3,718	40,643	3,718
2026	-	-	-	-	41,814	2,513	41,814	2,513
2027	-	-	-	-	43,019	1,275	43,019	1,275
2028	-	-	-	-	44,258	-	44,258	-
Total	\$ 507,089	\$ 37,484	\$ 33,019	\$ 1,147	\$ 390,783	\$ 53,278	\$ 930,891	\$ 91,909

**Business Type Activities**

The State Revolving Fund Loan requires payments of principal to begin the earlier of: (A) Within ninety (90) days after Initiation of Operation of the Project for construction loans or within two (2) years of loan approval for planning and design loans; or (B) Within one hundred twenty (120) days after ninety percent (90%) of the Project Loan has been disbursed. As of June 30, 2018 the City of Millersville, Tennessee has not yet met either of the requirements for principal repayment.

CITY OF MILLERSVILLE, TENNESSEE  
Schedule of Changes in Property Taxes Receivable  
June 30, 2018

Year of Levy	Property Tax Receivable Balance 6/30/2017	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Write-Offs	Property Tax Receivable Balance 6/30/2018
2018	\$ -	\$ -	\$ 936,612	\$ -	\$ -	\$ -	\$ 936,612
2017	853,455 *	11,489 *	-	-	822,962	-	41,982
2016	35,967	-	-	-	21,447	-	14,520
2015	12,099	-	-	-	2,482	-	9,617
2014	8,262	-	-	-	804	-	7,458
2013	5,168	-	-	-	666	-	4,502
2012	4,811	-	-	-	175	-	4,636
2011	3,474	-	-	-	335	-	3,139
2010	3,030	-	-	-	(249)	-	3,279
2009	4,045	-	-	-	60	-	3,985
2008	3,001	-	-	-	298	-	2,703
2007	4,147	-	-	-	243	3,904	-
Totals	<u>\$ 937,459</u>	<u>\$ 11,489</u>	<u>\$ 936,612</u>	<u>\$ -</u>	<u>\$ 849,223</u>	<u>\$ 3,904</u>	<u>\$ 1,032,433</u>

\*This represents the anticipated levy in the prior year adjusted to the actual levy in the current year.



**CITY OF MILLERSVILLE, TENNESSEE**  
**Schedule of Property Tax Rates and Assessments**  
**Last Ten Fiscal Years**

<u>Year of</u> <u>Levy</u>	<u>Fiscal</u> <u>Year</u>	<u>Tax Rate</u> <u>Per \$100</u> <u>Sumner</u> <u>County</u>	<u>Tax Rate</u> <u>Per \$100</u> <u>Robertson</u> <u>County</u>	<u>Tax</u> <u>Assessment</u>
2018	2019	1.0000	1.0000	* \$ 936,612
2017	2018	1.0000	1.0000	\$ 853,455
2016	2017	0.8443	0.8443	\$ 715,586
2015	2016	0.8443	0.8443	\$ 712,874
2014	2015	0.8443	0.8443	\$ 711,850
2013	2014	0.8113	0.8113	\$ 707,765
2012	2013	0.7992	0.8248	\$ 709,237
2011	2012	0.7992	0.8248	\$ 705,002
2010	2011	0.7992	0.8248	\$ 706,015
2009	2010	0.7992	0.8248	\$ 705,162

\* Anticipated Levy as of June 30, 2018

**CITY OF MILLERSVILLE, TENNESSEE**  
**Schedule of Utility Rate Structure and Number of Customers**  
**For the Year Ended June 30, 2018**

At June 30, 2018, the rate structure for the City of Millersville's Sewer Fund was as follows:

Residential (per billing cycle)	
First 1,500 Gallons	\$14.98 (minimum bill)
All Over 1,500 Gallons	\$6.20 per 1,000 gallons
Household on Well	\$31.68 flat rate
Commercial (per billing cycle)	
First 1,500 Gallons	\$14.98 (minimum bill)
All Over 1,500 Gallons	\$6.20 per 1,000 gallons
Motels, Hotels and Campgrounds	\$9.84 per 1,000 gallons

At June 30, 2018, the sewer system had approximately 2,359 customers.

**Internal Control and Compliance Section**



# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## **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 Members of the City Commission  
City of Millersville, 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, and the aggregate remaining fund information of the City of Millersville, Tennessee (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2019.

### **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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below as item 2018-001, that we consider to be a material weakness.

#### **2018-001. Prior Period Adjustment – change in accounting practice**

*Criteria:* Accounting principles generally accepted in the United States of America require governmental fund revenues to be recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

*Condition:* Certain governmental fund revenues for sales tax and gas taxes had historically been recognized in the general ledger based on the month received. Each year twelve monthly payments were included in the change in fund balance. This accounting practice did not take into account revenues that would be received within the period of availability after year-end to satisfy liabilities.

*Cause:* The City had historically followed this practice for sales and gas taxes and had not recorded receivables at year-end.

*Effect of Condition:* The City is not in compliance with accounting principles generally accepted in the United States of America for revenue recognition.

*Recommendation:* We recommend the City change the accounting practice to record revenue and accounts receivable for sales tax and gas taxes for each reporting period based on when it is measurable and available as of June 30, 2018 and for all periods going forward.

*Views of responsible officials and planned corrective actions:* See management's corrective action plan.

#### **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*.

#### **The City's Response to Finding**

The City's response to the findings identified in our audit is described previously. The City's response was not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **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.

*Blankenship CPA Group, PLLC*

January 28, 2019

**CITY OF MILLERSVILLE, TENNESSEE**  
**Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2018**

**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	N/A	N/A

**Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	N/A	N/A



*City of Millersville*

1246 Louisville Hwy.  
Millersville, TN 37072-3613

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**Management's Corrective Action Plan  
For the Year Ended June 30, 2018**

January 28, 2019

To the Comptroller of the Treasury  
Division of Local Government Audit

The City of Millersville, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2018.

**2018-001. Prior Period Adjustment – change in accounting practice**

Management accepts the recommendation.

*Corrective Action Taken:* The City of Millersville has recognized all revenue related to sales tax and gas taxes that had previously not been recorded as of June 30, 2018 and continues to recognize monthly based on the appropriate period of availability.

*Anticipated Completion Date:* January 28, 2019

Responsible Party: Ms. Holly Murphy, Interim City Manager and City Recorder

Sincerely,

  
Holly Murphy