

Millington Municipal Schools Board of Education

Audited Financial Statements

Year Ended June 30, 2016

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Independent Auditors' Report

Board of Education
Millington Municipal Schools
Millington, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general purpose fund, each major fund, and fiduciary fund of the Millington Municipal Schools Board of Education (the "School"), which are funds of the City of Millington, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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.

Auditors' 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 auditors' 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 School'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 general purpose fund, each major fund and fiduciary fund, of the Millington Municipal Schools Board of Education as of June 30, 2016, and the respective changes in financial position and budgetary comparison for the general purpose fund, federal projects fund, and cafeteria fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of the Matter

As discussed in Note 1, the financial statements of the Millington Municipal Schools Board of Education are intended to present the financial position and the changes in financial position of only the governmental activities, each major fund, and fiduciary fund of the City of Millington, Tennessee, that is attributable to the transactions of the Millington Municipal Schools Board of Education. They do not purport to, and do not present fairly the financial position of the City of Millington, Tennessee as of June 30, 2016, the changes in its financial position, budgetary comparisons, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-11) and the Schedules of the Proportionate Share of the Net Pension Asset and the Schedules of Contributions, the Schedule of Changes in Net Pension Liability and Related Ratios (pages 47-52), 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 an opinion on the financial statements that collectively comprise the Schools' basic financial statements. The statement of revenues, expenditures, and changes in fund balance-budget and actual-capital projects fund, organizational chart and roster of school officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards and related notes are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of revenues, expenditures, and changes in fund balance-budget and actual-capital projects fund and the schedule of expenditures of federal and state awards 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 statement of revenues, expenditures, and changes in fund balance-budget and actual-capital projects fund and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The organization chart and roster of school officials 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 an assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Memphis, Tennessee
December 12, 2016**

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

As management of the Millington Municipal Schools Board of Education (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016.

Management's Discussion and Analysis ("MD&A") focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with the accompanying notes to the financial statements.

Financial Highlights

Highlights of the financial statements for the year ended June 30, 2016, for Millington Municipal Schools are as follows:

- **Net position.** Total governmental assets and deferred outflows at year-end were \$59.4 million and exceeded liabilities and deferred inflows of resources by \$52.2 million (net position). Of the total net position \$5.6 million is unrestricted that may be used to meet the government's ongoing obligations to citizens and creditors. Net position increased from fiscal year 2015 to fiscal year 2016 by \$2.9 million.
- **Fund balances.** At the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$6,064,047, of which \$4.4 million (unassigned fund balance) may be used to meet the School's spending requirements, \$1,472,108 are assigned, \$210,335 are restricted for instruction, instructional support and nutrition, and \$14,660 is nonspendable. The School has four funds: The General Purpose Fund, Federal Projects Fund, Cafeteria Fund, and Capital Projects Fund. The General Fund balance was \$4.37 million. The Federal Projects Fund balance was \$0. The Cafeteria Fund Balance was \$219,573. The Capital Project Fund balance was \$1.47 million.
- **General purpose school fund – fund balance.** This was the second full year of school operations. In fiscal year 2015, the School had a fund balance of \$3.8 million. During the current year, fund balance for the General Purpose School Fund was \$4.37 million, or 20% of current year expenditures.
- **Capital assets.** During this year the capital assets increased by 0.3%. The School received \$614,054 from Shelby County for Capital projects, the City of Millington transferred \$1 million for the renovation of the High School Annex Building, and \$2 million was transferred from the General Purpose School Fund. The School renovated the High School Annex and purchased various equipment for operations.
- **Cafeteria fund.** In fiscal year 2015, the Cafeteria Fund balance was \$99,172. During the current year, fund balance for the Cafeteria Fund was \$219,573.
- **Debt service.** A \$230,219 payment was made to reduce the settlement obligation due to the Shelby County Board of Education.

Summary of Organization

The Millington Municipal Schools (School) was established by the City of Millington, Tennessee (the City) under the provisions of the City's Charter, Article II, Section 2.02. The City is located in Shelby County. The School began operations on June 2, 2014 upon transfer of property. Prior to this date, the schools were operated by the Shelby County Board of Education.

The School is governed by a Board of Education (the "Board") composed of seven citizens who live within the City. Board members serve for a term of four years and are elected by citizens via a city-wide vote. The Board hires a Director of Schools who manages the School.

The School operates four individual schools which consist of two elementary, one middle, and one high school. All of the schools are accredited by the Southern Association of Colleges and Schools (SACS). In addition, the School operates a system-wide preschool program.

The School receives annual funding from the City of Millington and a pro-rata share of property taxes and local option sales taxes from Shelby County based upon the weighted full time equivalent average daily attendance

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

(WFTEADA). For fiscal year 2015 the WFTEADA was 1.86% and for fiscal year 2016 it was 1.81%. The City of Millington Board of Mayor and Aldermen annually approves the School's appropriations for its governmental funds.

Overview of the Annual Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the School's basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the School's financial condition and performance.

The School's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

District-wide Financial Statements. The School operates under the City Charter and is considered a department of the City; therefore, these financial statements are "blended" within the City's financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities and deferred outflows/inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. However, the School's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School.

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

The district-wide financial statements can be found on pages 12 and 13 of this report.

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

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

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

The School maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Purpose Schools Fund, School Federal Projects Fund, the Cafeteria Fund and the Capital Projects Fund.

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Management's Discussion and Analysis
Year Ended June 30, 2016**

The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

Budget to Actual Comparison –The School adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Purpose School Fund, the Federal Projects Fund, the Cafeteria Fund and the Capital Projects Fund to demonstrate compliance with this budget. Budget to actual comparison for the major funds can be found on pages 17 through 28 and page 53 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 46 of this report.

Required Supplementary Information (RSI): This information provides a schedule of proportionate share of net pension asset and of contributions of the Tennessee Consolidated Retirement System ("TCRS") plan for the Schools' non-teaching personnel. Teachers are considered state employees for TCRS retirement purposes. The RSI can be found on pages 47 through 52 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$52.2 million at June 30, 2016.

**Condensed Statement of Net Position
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 7,391,515	\$ 5,367,901
Capital assets - net	<u>46,344,253</u>	<u>46,194,017</u>
Total assets	53,735,768	51,561,918
Deferred outflow of resources	5,645,202	1,058,040
Liabilities:		
Current Liabilities	1,397,221	1,401,478
Long-term liabilities	<u>1,769,410</u>	<u>1,942,064</u>
Total liabilities	3,166,631	3,343,542
Deferred inflows of resources	4,030,197	8,887
Net position:		
Invested in capital assets	46,344,253	46,194,017
Restricted	210,325	212,544
Unrestricted	<u>5,629,564</u>	<u>2,860,968</u>
Total net position, before restatement	<u>\$ 52,184,142</u>	<u>\$ 49,267,529</u>

By far the largest portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

The unrestricted net position may be used to meet the School's obligations to students, employees, and creditors as well as help fund next year's budget.

The School's governmental net position increased by \$2.9 million during fiscal year 2016. The following discussion and analysis on governmental activities focuses on these changes.

Governmental Activities. The key factors in the increase of the School's net position for the fiscal years ended June 30, 2016 and 2015, are as follows:

**Condensed Statement of Changes in Net Position
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues		
Charges for services	\$ 82,947	\$ 88,557
Operating grants and contributions	17,166,846	14,928,207
General revenues:		
Taxes	10,571,355	10,889,244
Transfers from city's general fund	1,500,000	2,100,000
Other revenues	<u>543,518</u>	<u>706,959</u>
Total revenues	29,864,666	28,712,967
Expenses:		
Instructional	13,958,130	12,483,530
Support Services	9,389,057	8,078,220
Non-instructional (pre-school)	728,344	526,192
Food service	1,431,417	1,353,269
Capital outlay	257,498	457,434
Interest charges	<u>57,565</u>	<u>92,881</u>
Total Expenses	25,822,011	22,991,526
Special item – impairment of capital assets	(1,126,042)	-
Change in net position	2,916,613	5,721,441
Net position, beginning of year, before restatement	49,267,529	43,543,774
Cumulative effect of change in accounting principle	<u>-</u>	<u>2,314</u>
Net position, beginning of year, after restatement	49,267,529	43,546,088
Net position, end of year, before restatement	<u>\$ 52,184,142</u>	<u>\$ 49,267,529</u>

The significant factors contributing toward the fiscal year 2016 \$2.9 million increase in net position were the contributions to the capital assets, and the reduction of projected expenses anticipated in operations.

Revenues. The Tennessee Education Improvement Act ("EIA") of 1992 established the Tennessee Basic Education Program ("BEP") as the funding formula for kindergarten through grade twelve education in Tennessee. The components of the formula are grouped into three categories for determining the state and local share of formula funding in each school system: instructional funding, classroom funding and non-classroom funding. The percentage allocated to each category is further influenced by a calculated Fiscal Capacity Indices.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

The School's BEP allocation was set in July 2015 at \$12,182,000. It was based on an estimated student Average Daily Membership (ADM) of 2,647 students during the Fiscal Year 2015. The BEP allocation was 73.44% for Instructional Funding, 77.74% for Classroom Funding and 50.71% for Non-Classroom Funding. The required local matching funds were 26.56%, 22.26% and 49.29%, respectively. The total required local match was \$5,763,000. The percentages used in the BEP formula will vary from what is actually spent in those categories for several reasons. For example, the BEP formula provides one rate for teacher salaries that does not include the cost of local salary supplements. As a result, the actual percent of funds spent in the instructional or classroom category may be greater than the percentage of the BEP formula.

Local taxes which consist of Shelby County property taxes, local option sales taxes, mixed drink tax and wheel tax were \$9,912,735 in fiscal year 2016. Shelby County allocated \$614,054 for the capital improvement project to renovate the High School Annex Building.

The City of Millington transferred \$500,000 for operations, \$230,219 for the Shelby County Board of Education debt, and \$1,000,000 for the capital improvement project to renovate the High School Annex building in fiscal year 2016.

Expenses. Instructional expenses represent the largest category for fiscal year 2016 with expenses of \$13,455,850, which is 48.0% of total expenses for fiscal year 2016.

Special Item. Buildings include an impairment loss of \$1,126,042 due to the permanent closing of the buildings and subsequent demolition after the fiscal year end.

Financial Analysis of School Funds

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

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

As of June 30, 2016, the School's governmental funds reported a combined fund balance of \$6,064,047, an increase of \$2,067,513 from the previous year. Approximately 72% or \$4,366,954 of the combined fund balance constitutes the unassigned fund balance, which is available for spending at the School's discretion. Pursuant to GASB Statement No. 54, the remainder of the fund balance is classified as non-spendable, restricted, or assigned. \$14,660 is classified as non-spendable for prepaid expenses and cafeteria inventory, \$210,325, is restricted for a specific purpose per enabling legislation, and \$1,472,108 is assigned for a specific purpose per action by the Board of Education for Capital Projects.

General Purpose School Fund. The General Purpose School Fund is the main operating fund of the School. At June 30, 2016, unrestricted fund balance was \$4,366,954 while total fund balance was \$4,372,366. As a measure of the fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total expenditures. Unrestricted fund balance represents 20.1% of total general purpose school fund expenditures. The total fund balance represents 20.1% of total general purpose school fund expenditures.

The fund balance of the School's General Purpose School Fund increased by \$604,959 during the current fiscal year. A few highlights of the General Purpose School Fund are as follows:

- Revenues and other net financing sources were \$24,327,482 for fiscal year 2016 and \$25,978,147 for fiscal year 2015, with a net decrease of (\$1,650,665). The major factors contributing to the decrease were in fiscal year 2015 the City transferred \$1.9 million from a Revenue and Tax Anticipation Note to cover initial operating expenses. The City provided \$800,000 for the initial funding of the Schools and \$1.3 million for initial operations. In fiscal year 2016 the Schools did not have to request a Revenue and

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

Tax Anticipation Note and the Schools transferred \$1,995,920 from the General Fund to the Capital Projects Fund to cover expenses for the High School Annex renovation and other capital projects.

- Expenditures were \$21,726,603 for fiscal year 2016 and \$22,161,845 for fiscal year 2015, with a decrease of (\$435,242). The primary factor for the decrease was the initial start-up costs in fiscal year 2015.
- Instructional expenditures represent 54.7% of the total expenditures for fiscal 2016.

Federal Projects Fund. The Federal Projects Fund, which accounts for a majority of the School's federal grants, reported revenues and expenditures of \$2,318,100 for fiscal year 2016 compared to \$1,460,507 for fiscal year 2015.

Cafeteria Fund. The Cafeteria operates on reimbursements from the federal government and food sales. The schools participate in the Federal Community Eligibility Provision that provides meals at no expense to the students and reimburses the schools at a set rate per meal. Additional federal funding is provided for commodities to the schools. As a result of food sales in the form of adult meals and additional student meals, the fund balance was \$219,573 at the end of fiscal year 2016.

Capital Projects Fund. The Capital Projects Fund received \$1,647,448 in revenues. The Shelby County government provided \$614,054 for capital projects, the City provided \$1,000,000 for the renovation of the High School Annex. The Schools transferred in \$1,995,920 from the general fund. The fund balance is \$1,472,108 which is assigned to capital projects in fiscal year 2017.

BUDGETARY HIGHLIGHTS

There was a net increase of \$1,969,896 in budgetary amendments to the General Purpose Fund's expenditures during fiscal year 2016. This was primarily due to transfer of funds to the Capital Projects Fund.

The General Purpose Fund balance increased \$604,959. Current year expenditures in instructional and support services were \$1.3 million less than budgeted.

Actual revenues and other financing sources were over budgeted amounts by \$384,649 in the general fund. The significant variance occurred in Local County Revenue. This was due to a change in the weighted full time equivalent average daily attendance percentage adjustment made in April that was retroactive to the beginning of the fiscal year.

Expenditures and other financial uses were \$1,320,309 under budget in the general fund. Significant variances were:

- Expenditures in instruction activities were \$622,747 under budget.
- Expenditures in Support Services were \$690,427 under budget.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2016, was \$48,284,527 with accumulated depreciation of \$1,940,274 resulting in a net book value of \$46,344,253.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

The majority of capital asset activity is due to the renovation of the High School Annex building.

Condensed Statement of Capital Assets

	<u>2016</u>	<u>2015</u>
Land	\$ 815,000	\$ 815,000
Land Improvements	40,600	40,600
Buildings	44,853,403	46,007,102
Equipment	393,655	311,650
Construction in progress	<u>2,181,869</u>	<u>24,973</u>
	48,284,527	47,199,325
Less accumulated depreciation	<u>(1,940,274)</u>	<u>(1,005,308)</u>
Total assets	<u>\$ 46,344,253</u>	<u>\$ 46,194,017</u>

Enrollment

Fiscal year 2016 was the second year the School operated with students. Student enrollment has a significant impact on state and local funding levels. The Average Daily Membership at the end of the fiscal year 2016 was 2,536 compared to 2,653 at the end of fiscal year 2015. Management is closely monitoring various factors affecting enrollment.

Economic Factors and Next Year's Budget

During the preparation of the fiscal year 2017 budget, the following major assumptions were used.

- The fiscal year 2017 budgeted expenditures for the General Purpose Fund are \$23.2 million. This is a 7% increase over fiscal year 2016 expenditures of \$21.7 million. The TN Department of Education is projecting an increase in the teacher base salary schedule and a decrease in the County Cost Differential Factor.
- Compensation and benefits budgeted in fiscal year 2017 for employees are \$17.4 million. This is an 8.2% increase over fiscal year 2016 expenditures of \$16.1 million. The increase is primarily due to the addition of instructional and support staff, a pay increase, and an increase in health care benefits.
- For fiscal year 2017, the School has projected a 6% average increase in health insurance premiums. The TCRS pension employer contribution rate remains at 9.04% for legacy certified (teachers) staff and 9% for certified (teachers) staff hired after July 1, 2014. The rate increased from 8.14% to 8.93% for non-certified (support) staff. Life insurance premiums are not projected to increase.
- A pay raise of \$900 for certified staff and \$500 for classified staff is projected for all full-time employees. Adjustments to some pay to implement a new salary schedule are anticipated.

FINAL COMMENTS

The Millington Municipal School System worked through many challenges and unknowns in the second year of operations to provide a quality public education for students. The major unknowns that continue to impact the budget were the estimates of the number of students who would be enrolled and the number of teachers needed.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2016**

CONTACTING THE SCHOOL

This financial report is designed to provide our citizens, parents, students, creditors, and regulatory agencies with an overview of the School's finances. If you have any questions about this report or need additional information, you may contact the School as follows:

Mr. Bruce Rasmussen
Chief Financial Officer
Millington Municipal Schools
5020 Second Ave
Millington, Tennessee 38053
901-873-5680

Millington Municipal Schools
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,106,633
Receivables:	
Accounts receivable	4,176
Due from other governments	1,266,046
Inventory	11,238
Prepaid expenses	3,422
Total current assets	<u>7,391,515</u>

Capital assets:

Nondepreciable assets:

Land	815,000
Construction in progress	2,181,869
Capital assets being depreciated	
Building and Improvements	44,853,403
Other Improvements	40,600
Equipment	393,655
Accumulated depreciation	<u>(1,940,274)</u>

 Total capital assets 46,344,253

 Total assets 53,735,768

Deferred outflows of resources:

Actuarial gains - pension	4,504,263
Pension contributions submitted after measurement date	<u>1,140,939</u>

 Total deferred outflows of resources 5,645,202

LIABILITIES

Accounts payable and accrued liabilities	1,080,892
Unearned revenue	2,010
Net pension liability	84,100
Settlement liability	
Due within one year	230,219
Due in more than one year	<u>1,769,410</u>

 Total liabilities 3,166,631

Deferred inflow of resources:

Actuarial losses - pension	<u>4,030,197</u>
Total deferred inflows of resources	<u>4,030,197</u>

NET POSITION

Net investment in capital assets	46,344,253
Restricted	210,325
Unrestricted	<u>5,629,564</u>
Total net position	<u>\$ 52,184,142</u>

Millington Municipal Schools
Statement of Activities
Year Ended June 30, 2016

				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>				
Board of Education				
Instruction	\$ 13,958,130	\$ -	\$ 15,726,315	\$ 1,768,185
Support services	9,389,057	-	-	(9,389,057)
Non-instructional services	728,344	-	-	(728,344)
Capital outlay	257,498	-	-	(257,498)
Food service	1,431,417	82,947	1,440,531	92,061
Interest charges	57,565	-	-	(57,565)
	<u>\$ 25,822,011</u>	<u>\$ 82,947</u>	<u>\$ 17,166,846</u>	<u>(8,572,218)</u>
General revenues:				
Taxes				10,571,355
General contributions				1,500,000
Other revenues				543,518
Total general revenues				<u>12,614,873</u>
Special items:				
Impairment of capital assets				(1,126,042)
Change in net position				2,916,613
Net position- beginning of year				<u>49,267,529</u>
Net position - ending				<u>\$ 52,184,142</u>

Millington Municipal Schools
Balance Sheet - Governmental Funds
June 30, 2016

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,419,998	-	\$ 212,777	\$ 1,473,858	\$ 6,106,633
Receivables:					
Accounts receivable	4,176	-	-	-	4,176
Due from other governments	1,051,588	214,458	-	-	1,266,046
Due from (to) other funds	127,204	(127,204)	-	-	-
Inventory	-	-	11,238	-	11,238
Prepaid expenses	3,422	-	-	-	3,422
Total assets	\$ 5,606,388	\$ 87,254	\$ 224,015	\$ 1,473,858	\$ 7,391,515
LIABILITIES					
Accounts payable and accrued liabilities	\$ 989,456	\$ 87,254	\$ 2,432	\$ 1,750	\$ 1,080,892
Unearned revenue	244,566	-	2,010	-	246,576
Total liabilities	1,234,022	87,254	4,442	1,750	1,327,468
FUND BALANCES					
Nonspendable	3,422	-	11,238	-	14,660
Restricted	1,990	-	208,335	-	210,325
Assigned	-	-	-	1,472,108	1,472,108
Unassigned	4,366,954	-	-	-	4,366,954
Total fund balances	4,372,366	-	219,573	1,472,108	6,064,047
Total liabilities and fund balances	\$ 5,606,388	\$ 87,254	\$ 224,015	\$ 1,473,858	\$ 7,391,515
Fund balance, total governmental funds					\$ 6,064,047
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds					46,344,253
Some revenues or expenditures reported in the statement of activities activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds					244,566
Settlement liability not due and payable in the current period					(1,999,629)
Deferred pension contributions					1,140,939
Deferred outflow resources/deferred inflow resources/net pension liability					389,966
Net Position of Governmental Activities					\$ 52,184,142

See accompanying notes.

Millington Municipal Schools**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**
Year Ended June 30, 2016

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
County taxes	\$ 9,879,700	\$ -	\$ -	614,054	\$ 10,493,754
Other local taxes	33,035	-	-	-	33,035
Federal funds	607,404	2,318,100	-	-	2,925,504
State education funds	12,573,673	-	-	-	12,573,673
Other state revenue	198,904	-	28,234	-	227,138
Other local revenue	230,219	-	-	-	230,219
General contributions from					
City of Millington	500,000	-	-	1,000,000	1,500,000
Charges for services	-	-	82,947	-	82,947
USDA revenue	-	-	1,440,531	-	1,440,531
Other revenue	279,799	-	106	33,394	313,299
Total revenues	<u>24,302,734</u>	<u>2,318,100</u>	<u>1,551,818</u>	<u>1,647,448</u>	<u>29,820,100</u>
Expenditures					
Instruction	11,905,130	1,550,720	-	-	13,455,850
Support services	8,867,694	521,363	-	-	9,389,057
Non-instructional services	507,075	221,269	-	-	728,344
Capital outlay	216,485	-	-	2,301,215	2,517,700
Food services	-	-	1,431,417	-	1,431,417
Debt service	230,219	-	-	-	230,219
Total expenditures	<u>21,726,603</u>	<u>2,293,352</u>	<u>1,431,417</u>	<u>2,301,215</u>	<u>27,752,587</u>
Excess of revenues over expenditures	<u>2,576,131</u>	<u>24,748</u>	<u>120,401</u>	<u>(653,767)</u>	<u>2,067,513</u>
Other financing sources (uses)					
Transfer in	24,748	-	-	1,995,920	2,020,668
Transfer out	<u>(1,995,920)</u>	<u>(24,748)</u>	<u>-</u>	<u>-</u>	<u>(2,020,668)</u>
	<u>(1,971,172)</u>	<u>(24,748)</u>	<u>-</u>	<u>1,995,920</u>	<u>-</u>
Net change in fund balances	604,959	-	120,401	1,342,153	2,067,513
Fund balances - beginning	<u>3,767,407</u>	<u>-</u>	<u>99,172</u>	<u>129,955</u>	<u>3,996,534</u>
Fund balances - ending	<u>\$ 4,372,366</u>	<u>\$ -</u>	<u>\$ 219,573</u>	<u>\$ 1,472,108</u>	<u>\$ 6,064,047</u>

See accompanying notes.

Millington Municipal Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balance, total governmental funds	\$ 2,067,513
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays capitalized	2,260,202
Depreciation expense	(983,924)
Impairment on buildings set for demolition	(1,126,042)
Some revenues or expenditures reported in the statement of activities are not yet available or expensed and therefore are not reported as revenue or expenses in governmental funds.	44,566
Principal portion of long-term settlement liability is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	172,654
Contributions made to pension plans after the measurement date (June 30, 2015) will not be recognized as an increase in the net pension asset until the following measurement date (June 30, 2016), which will be used to report the net pension liability in the next fiscal year.	1,140,939
Pension expense represents the costs of benefits accrued in the current year, net of changes in deferred outflows and inflows of resources. This expense is not an expenditure of the funds, and; therefore, has not been recorded as a change in net fund balance in the fund financial statements.	(659,295)
Change in net position of governmental activities	\$ 2,916,613

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Local taxes:				
County property tax:				
Current property tax	\$6,465,232	\$6,465,232	\$6,532,406	\$67,174
Trustee's collection - prior yrs	258,689	258,689	118,862	(139,827)
Circuit clerk collection prior yrs	82,213	82,213	91,998	9,785
Payments in lieu of taxes	138,734	138,734	131,269	(7,465)
Local option sales tax	2,546,869	2,509,000	2,757,288	248,288
Wheel tax	-	143,127	247,877	104,750
Other local tax:				
Mixed drink tax	28,000	28,000	33,035	5,035
Total local taxes	9,519,737	9,624,995	9,912,735	287,741
Federal government:				
E-rate funding	225,500	601,522	509,480	(92,042)
Rotc reimbursement	96,660	96,660	97,924	1,264
Total federal government	322,160	698,182	607,404	(90,778)
State of Tennessee:				
Regular education funds:				
Basic education rogram	12,023,000	12,023,000	12,182,000	159,000
Early childhood education	291,599	267,844	267,059	(785)
Other state education funds	-	-	1,500	1,500
Coordinated school health	80,000	80,000	77,180	(2,820)
Career ladder program	34,400	34,400	45,322	10,922
Career ladder-extended contracts	-	612	612	-
Other state revenue:				
Special education grant to state	-	13,053	13,053	-
Safe school grant	13,720	13,680	13,680	-
Other state revenues	29,612	165,940	172,171	6,231
Total state of Tennessee	12,472,331	12,598,529	12,772,577	174,048
Other local revenue:				
Other local revenue	-	230,219	230,219	-
Total other local revenue	-	230,219	230,219	-
Genral contributions:				
From City of Millington	500,000	500,000	500,000	-
Total general contributions	500,000	500,000	500,000	-
Other revenue:				
Recurring items:				
Other charges for services	-	-	2	2
Investment income	2,000	2,000	3,976	1,976
Lease/rentals	17,000	17,000	17,245	245
Sale of material & supplies	-	-	1,585	1,585
Miscellaneous refunds	-	-	3,924	3,924
Nonrecurring items:				
Damages recovered from individuals	-	-	3,782	3,782
Contributions and gifts	-	32,200	34,325	2,125
Other local revenue	214,960	214,960	214,960	-
Total other revenue	233,960	266,160	279,799	13,639
Total revenue	\$23,048,188	\$23,918,085	\$24,302,734	\$384,650
Expenditures:				
Instruction:				
Regular instruction:				
Teachers	\$7,466,902	\$7,125,236	\$6,862,247	\$262,989
Career ladder program	31,600	26,000	20,990	5,010

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Educational assistant	57,693	54,794	54,794	-
Other salaries and wages	-	126,860	119,813	7,047
Social security	468,472	457,510	412,748	44,762
State retirement	682,162	666,751	633,856	32,895
Life insurance	30,144	29,569	28,116	1,453
Medical insurance	649,774	576,934	574,171	2,763
Employer medicare liability	109,562	107,308	96,530	10,778
Contracts for substitute teachers-cert	170,000	280,199	279,126	1,073
Instructional supplies & material	105,400	100,150	52,841	47,309
Textbooks	203,000	203,000	197,218	5,782
Other supplies & material	18,000	18,000	12,253	5,747
Fee waiver	25,000	23,000	1,173	21,827
Other charges	10,000	42,766	42,203	563
Regular instruction equipment	100,000	100,550	26,078	74,472
Total regular instruction	10,127,709	9,938,627	9,414,157	524,470
Alternative school:				
Teacher	62,414	62,414	64,561	(2,147)
Homebound teacher	20,000	20,000	463	19,537
Education assistant	23,303	18,003	17,841	162
Social security	8,246	6,226	4,460	1,766
State retirement	12,023	9,077	7,316	1,761
Life insurance	351	330	280	50
Medical insurance	16,118	11,315	13,604	(2,289)
Employer medicare	1,928	1,456	1,043	413
Other contracted services	10,000	9,900	4,829	5,071
Instructional supplies & material	500	600	600	-
Total alternative school	154,883	139,321	114,997	24,324
Special education program:				
Teacher	957,508	801,383	770,397	30,986
Homebound teacher	10,000	8,900	183	8,717
Ed assistant salary	223,816	207,487	211,161	(3,674)
Social security	73,242	64,900	55,653	9,247
State retirement	104,777	92,761	86,792	5,969
Life insurance	4,592	4,080	3,991	89
Medical insurance	133,082	112,213	109,544	2,669
Employer medicare	17,130	15,177	13,016	2,161
Contracts substitute teachers-(cert)	1,400	1,985	1,719	266
Contracts substitute teachers-(non-cert)	2,000	1,115	811	304
Other contracted services	60,000	183,000	175,575	7,425
Instructional supplies & material	2,400	6,200	6,183	17
Total special education	1,589,947	1,499,201	1,435,025	64,176
Vocational education:				
Teacher	819,702	777,730	775,046	2,684
Social security	50,821	48,219	47,283	936
State retirement	74,084	70,289	70,047	242
Life insurance	3,357	3,189	3,170	19
Medical insurance	42,011	21,824	21,824	-
Employer medicare	11,886	11,277	11,058	219
Instructional supplies & material	3,200	3,200	3,200	-
Textbooks	5,000	5,000	1,324	3,676
Other supplies & material	8,000	8,000	7,999	1
Fee waiver	2,000	2,000	-	2,000
Total vocational education	1,020,061	950,728	940,951	9,777
Total instructional	12,892,600	12,527,877	11,905,130	622,747
Support services:				

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Health services:				
Other salaries	54,547	54,547	54,547	-
Social security	3,382	3,382	3,358	24
State retirement	4,440	4,400	4,440	(40)
Life insurance	224	224	223	1
Employer medicare	791	791	785	6
Travel	-	1,500	1,412	88
Other contracted services	132,300	138,976	138,976	-
Other supplies & material	5,000	5,000	4,915	85
In-service/staff development	2,500	5,000	2,413	2,587
Other charges	15,472	11,392	6,889	4,503
Health equipment	7,962	5,156	5,087	69
Total health care services	226,618	230,368	223,045	7,323
Other student support:				
Guidance pers	406,199	416,819	416,809	10
Social worker	40,000	40,000	39,810	190
Social security	27,664	28,323	26,432	1,891
State retirement	39,976	40,935	41,262	(327)
Life insurance	1,829	1,873	1,860	13
Medical insurance	41,882	44,564	44,564	-
Employer medicare	6,470	6,624	6,181	443
Contracts with govt agencies safe schools	-	13,680	13,680	-
Travel	1,000	1,000	-	1,000
Other supplies & material	3,140	3,140	101	3,039
In-service/staff development	530	530	-	530
Other charges	12,000	12,000	-	12,000
Other equipment	10,315	10,315	-	10,315
Total other student support	591,005	619,803	590,699	29,104
Regular instructional support:				
Supervisor	133,837	133,837	111,414	22,423
Career ladder program	2,900	5,400	5,372	28
Career ladder extended contracts	-	612	525	87
Librarian	259,483	259,642	257,249	2,393
Social security	24,566	24,768	22,153	2,615
State retirement	30,417	30,488	28,091	2,397
Life insurance	1,613	1,613	1,260	353
Medical insurance	24,355	25,731	24,259	1,472
Employer medicare	5,745	5,794	5,181	613
Travel	4,500	4,500	3,622	878
Other contracted services	210,000	210,000	133,130	76,870
Library books/media	18,000	18,000	17,973	27
Periodicals	10,000	10,000	2,663	7,337
Other supplies & material	26,000	26,000	25,503	497
In-service/staff development	5,000	4,883	3,862	1,021
Other charges	50,000	50,000	13,063	36,937
Total regular instructional support	806,416	811,268	655,320	155,948
Alternative education support:				
Supervisor	44,500	44,500	44,500	-
Social security	2,759	2,759	2,481	278
State retirement	5,388	4,023	4,023	-
Life insurance	182	182	181	1
Medical insurance	4,184	5,658	5,657	1
Employer medicare	645	645	580	65
Travel	1,500	1,500	1,439	61
In-service staff development	1,000	1,117	1,117	-
Total alternative education support	60,158	60,384	59,978	406

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Special education support:				
Supervisor	44,500	44,500	44,500	-
Psychological	70,124	70,125	70,124	1
Secretary	16,500	16,500	5,037	11,463
Clerical salary	126,315	121,509	130,977	(9,468)
Social security	15,961	15,663	14,460	1,203
State retirement	20,302	19,881	19,521	360
Life insurance	1,056	1,036	957	79
Medical insurance	18,832	26,823	26,823	-
Employer medicare	3,733	3,663	3,382	281
Postal charges	300	300	31	269
Travel	3,500	3,500	3,149	351
Other contracted services	65,000	70,000	66,800	3,200
Other supplies & material	3,000	3,000	2,979	21
In-service/staff development	5,000	5,000	3,943	1,057
Other equipment	5,000	5,550	5,529	21
Total special education support	399,123	407,050	398,212	8,838
Vocational educational support:				
Contracts with other school systems	11,450	11,450	11,436	14
Total vocational education support	11,450	11,450	11,436	14
Board of education:				
Board and committee members	17,400	17,400	17,400	-
Social security	1,079	1,079	1,079	-
State retirement	1,221	1,221	1,026	195
Retiree life insurance	-	1,025	1,025	-
Retiree health insurance	-	9,429	9,429	-
Employer medicare	252	252	252	-
OPEB contribution	26,000	50,000	50,000	-
Audit services	41,000	41,000	36,250	4,750
Dues & membership	7,700	10,400	10,323	77
Legal services	60,000	55,300	32,149	23,151
Travel	8,000	7,864	3,711	4,153
Other contracted services	8,000	8,000	2,000	6,000
Other supplies & material	800	800	71	729
Liability insurance	24,000	24,136	21,636	2,500
Workers compensation insurance	61,000	70,000	69,537	463
In-service/staff development	1,000	5,000	4,800	200
Total board of education	257,452	302,906	260,688	42,218
Office of the director of schools:				
Director of schools	123,600	123,600	124,400	(800)
Secretary salary	45,000	45,000	45,515	(515)
Clerical	40,000	40,000	21,329	18,671
Social security	13,232	13,232	11,261	1,971
State retirement	18,857	18,857	17,360	1,497
Life insurance	855	855	761	94
Medical insurance	22,935	27,441	23,384	4,057
Dental insurance	-	-	912	(912)
Employer medicare	3,094	3,094	2,715	379
Other fringe benefits	4,800	4,800	4,800	-
Dues & membership	3,600	4,320	4,320	-
Postal charges	2,000	2,000	2,000	-
Travel	3,000	4,400	3,788	612
Other contracted services	11,000	11,000	9,918	1,082
Office supplies	10,000	9,600	6,451	3,149
Other supplies & material	500	500	403	97
In-service/staff development	1,000	1,000	285	715
Other charges	10,000	3,774	3,611	163

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Administrative equipment	3,000	3,000	1,110	1,890
Total office of director of schools	316,473	316,473	284,323	32,150
Office of principal:				
Principal	416,207	417,207	416,207	1,000
Career ladder program	5,000	6,000	7,000	(1,000)
Assistant principal	497,689	497,688	498,488	(800)
Secretary	159,621	159,073	159,155	(82)
Clerical	301,084	300,179	280,339	19,840
Other salaries	68,607	47,604	47,282	322
Social security	89,789	88,521	81,908	6,613
State retirement	126,382	124,735	126,094	(1,359)
Life insurance	5,916	5,824	5,668	156
Medical insurance	121,626	132,673	131,368	1,305
Employer medicare	20,999	20,702	19,156	1,546
Dues & membership	-	300	115	185
Contract with other govt - SRO	13,720	-	-	-
Office supplies	-	200	94	106
Staff development	-	615	365	250
Other charges	-	2,000	2,000	-
Administrative equipment	20,000	19,885	3,310	16,575
Total office of principal	1,846,640	1,823,206	1,778,549	44,657
Fiscal services:				
Supervisor	72,500	72,500	72,500	-
Bookkeeper	50,000	50,000	45,570	4,430
Purchasing	41,500	41,500	39,645	1,855
Social security	10,168	10,168	9,511	657
State retirement	13,350	13,350	13,199	151
Life insurance	672	672	644	28
Medical insurance	19,213	18,537	17,368	1,169
Employer medicare	2,378	2,378	2,224	154
Dues & membership	150	150	125	25
Travel	2,000	2,000	1,353	647
Other contracted services	63,000	63,000	51,347	11,653
Office supplies	400	400	251	149
Other supplies & material	1,600	1,600	1,600	-
Staff development	2,500	2,500	1,180	1,320
Total fiscal services	279,431	278,755	256,517	22,238
Human service:				
Supervisor	70,000	70,000	70,000	-
Clerical	83,000	67,500	67,477	23
Social security	9,486	8,525	7,632	893
State retirement	12,454	11,193	11,191	2
Life insurance	627	564	570	(6)
Medical insurance	16,354	13,696	15,929	(2,233)
Unemployment compensation	10,000	15,000	8,539	6,461
Employer medicare	2,219	1,994	1,785	209
Advertising	600	600	272	328
Dues & membership	200	340	340	-
Travel	1,500	2,500	2,385	115
Other contracted services	48,000	48,000	46,402	1,598
Office supplies	6,000	6,000	3,424	2,576
Staff development	4,000	3,000	200	2,800
Other charges	1,000	860	706	154
Total human services	265,440	249,772	236,852	12,920
Plant operations:				
Supervisor	67,500	67,500	67,500	-

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Plant Manager	206,000	206,000	203,579	2,421
Social security	16,957	16,957	15,892	1,065
State retirement	22,263	22,263	22,066	197
Life insurance	1,122	1,120	1,109	11
Medical insurance	19,852	25,879	25,879	-
Employer medicare	3,966	3,966	3,717	249
Dues & membership	200	200	-	200
Janitorial services	515,000	507,854	493,748	14,106
Travel	1,500	1,500	1,303	197
Custodial supplies	1,000	1,000	950	50
Electricity	900,000	627,066	571,820	55,246
Water & Sewer	28,000	28,993	28,993	-
Other supplies & material	500	1,000	381	619
Building & content insurance	74,110	78,456	78,456	-
Staff development	100	100	-	100
Other charges (sanitation)	28,000	31,700	29,255	2,445
Plant operation equipment	5,000	1,300	45	1,255
Total plant operations	1,891,070	1,622,854	1,544,693	78,161
Plant maintenance:				
Maintenance personnel	93,000	89,561	47,416	42,145
Social security	5,765	5,553	2,634	2,919
State retirement	3,663	4,197	3,100	1,097
Life insurance	185	211	153	58
Medical insurance	8,320	11,169	6,331	4,838
Medicare	1,349	1,299	616	683
Maintenance & repair - buildings	100,000	100,000	96,737	3,263
Maintenance & repair - equipment	75,000	75,000	74,802	198
Maintenance & repair - vehicle	500	500	45	455
Other contracted services	100,000	100,000	93,491	6,509
Equipment & machinery parts	7,000	6,720	2,129	4,591
Gasoline	1,500	2,102	2,102	-
Other supplies & material	2,000	1,970	104	1,866
Vehicle & equip insurance	161	161	-	161
Other charges	500	500	323	177
Administrative equipment	1,000	1,000	-	1,000
Maintenance equipment	10,000	10,000	3,920	6,080
Total plant maintenance	409,943	409,943	333,903	76,040
Pupil transportation:				
Contracts other school systems	27,950	27,950	24,912	3,038
Contract private agencies	1,260,000	1,060,000	1,026,182	33,818
Diesel fuel	130,000	95,546	66,536	29,010
Total pupil transportation	1,417,950	1,183,496	1,117,630	65,866
Technology (IT support):				
Supervisor	75,000	77,538	86,522	(8,984)
IT salary	93,000	93,000	94,800	(1,800)
Social security	10,416	10,573	10,191	382
State retirement	14,350	14,580	15,175	(595)
Life insurance	689	699	722	(23)
Medical insurance	22,485	22,485	22,484	1
Employer medicare	2,436	2,473	2,383	90
Communications	259,300	635,322	568,354	66,968
Consultants	4,800	4,800	-	4,800
IT-shared services-	17,000	17,000	14,332	2,668
Maintenance & repair services - equipment	800	1,400	1,382	18
Travel	80,000	80,000	54,275	25,725
Other contracted services	1,800	1,800	197	1,603
Office supplies	7,000	7,000	1,000	6,000

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other supplies & material	8,500	7,900	4,534	3,366
In-service/staff development	2,000	2,000	1,100	900
Other charges	11,900	11,900	6,346	5,554
Administrative equipment	86,000	83,029	83,029	-
Regular Instruction equipment	-	131,894	131,894	-
Other equipment	25,000	25,000	17,129	7,871
Total technology (IT support)	722,476	1,230,393	1,115,849	114,544
Total support services	9,501,645	9,558,121	8,867,694	690,427
<u>Non-instructional:</u>				
Early childhood education:				
Teachers	232,673	231,030	231,030	-
Educational assistant	72,335	72,278	72,279	(1)
Other salaries & wages	1,000	100	100	-
Social security	18,186	18,095	17,956	139
State retirement	27,246	26,757	26,757	-
Life insurance	1,241	1,237	1,237	-
Medical insurance	15,804	16,817	16,817	-
Employer medicare liability	4,406	4,232	4,199	33
Evaluation & testing	2,000	-	-	-
Contracted substitutes - cert	2,340	4,503	3,718	785
Other contracted services	101,760	103,469	103,469	-
Instructional supplies & material	22,568	19,020	19,020	-
Other supplies & material	1,000	3,216	3,216	-
Staff development	2,000	282	282	-
Other charges	1,000	5,558	5,181	377
Regular Instructional equipment	1,000	-	-	-
Other equipment	-	1,814	1,814	-
Total early childhood education	506,559	508,408	507,075	1,333
Total non-instructional	506,559	508,408	507,075	1,333
<u>Capital outlay</u>	169,845	220,000	216,485	3,515
Total expenditures before debt service	23,070,649	22,814,406	21,496,384	1,318,022
<u>Debt service:</u>				
Principal on note	-	230,219	230,219	-
Total debt service	-	230,219	230,219	-
Total expenditures	23,070,649	23,044,625	21,726,603	1,318,022
<u>Other financial issues:</u>				
Transfer from other funds	22,461	22,461	24,748	2,287
Transfer to other funds	-	(1,995,920)	(1,995,920)	-
Total other financing resources	22,461	(1,973,459)	(1,971,172)	(2,287)
<u>Appropriated fund balance</u>	-	1,099,999	-	1,099,999
Total expenditures & other Issues	\$ 23,048,188	\$ 23,918,085	23,697,775	\$ 220,310
Revenue over (under) expenditures & other			604,959	
Fund balance, at July,1, 2015			3,767,407	
Fund balance, at June 30, 2016			\$ 4,372,366	

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
Federal funds:				
Title I, part A	\$ 1,180,271	\$ 1,418,874	\$ 1,295,175	\$ (123,699)
IDEA special ed grants to states	639,901	672,365	639,692	(32,673)
IDEA pre-K	6,817	8,736	7,177	(1,559)
IDEA discretionary	-	13,128	12,391	(737)
IDEA discretionary supplement	-	8,121	6,826	(1,295)
Title II part A	110,006	181,045	121,608	(59,437)
Consolidated admin	18,391	18,391	17,747	(644)
Pre-school development	-	228,363	217,484	(10,879)
Total revenue	<u>1,955,386</u>	<u>2,549,023</u>	<u>2,318,100</u>	<u>(230,923)</u>
<u>Expenditures:</u>				
Instruction:				
Title I:				
Teachers	\$ 309,331	324,658	\$ 309,578	\$ 15,080
Education assistants	37,100	37,100	35,595	1,505
Social security	21,479	22,429	20,472	1,957
State retirement	28,181	28,898	25,327	3,571
Life insurance	1,293	1,326	1,159	167
Medical insurance	49,129	23,104	23,104	-
Employer medicare	5,023	5,246	4,788	458
Contracts with other systems	9,515	13,312	12,588	724
Contract substitute teachers	12,232	13,146	11,449	1,697
Other contracted services	71,994	78,783	63,953	14,830
Instructional supplies and materials	46,140	74,122	59,075	15,047
Other materials and supplies	21,093	21,918	14,895	7,023
Equipment	<u>92,243</u>	<u>274,429</u>	<u>272,334</u>	<u>2,095</u>
Total title I	704,753	918,471	854,317	64,154
Title II:				
Teachers	-	28,000	27,929	71
Social security	-	1,736	1,396	340
State retirement	-	2,525	2,525	-
Life insurance	-	115	111	4
Medical insurance	-	9,644	6,789	2,855
Employer medicare	-	406	326	80
Contracted substitutes certified	-	1,170	585	585
Total title II:	-	43,596	39,661	3,935
Idea Special Education:				
Teachers	225,813	228,025	228,025	-
Education assistants	191,448	198,304	194,967	3,337

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Speech pathologists	55,000	-	-	-
Other salaries	-	7,329	956	6,373
Social security	29,131	26,760	24,004	2,756
State retirement	39,388	37,177	35,423	1,754
Life insurance	1,600	1,760	1,676	84
Medical insurance	47,217	47,155	47,155	-
Medicare	6,813	6,259	5,614	645
Maintenance & repair services equipment	1,000	500	468	32
Contracted substitutes certified	-	5,000	3,919	1,081
Contracted substitutes non-certified	-	1,500	1,500	-
Other contracted services	-	78,008	76,292	1,716
Instructional supplies and materials	8,000	11,726	9,184	2,542
Other charges	3,000	5,737	4,968	769
Special ed equipment	<u>5,000</u>	<u>7,534</u>	<u>3,374</u>	<u>4,160</u>
Total special education	613,410	662,774	637,525	25,249
Idea discretionary:				
Other salaries & wages	-	11,250	10,675	575
Social security	-	698	610	88
State retirement	-	1,017	964	53
Employer medicare	<u>-</u>	<u>163</u>	<u>142</u>	<u>21</u>
Total idea discretionary	-	13,128	12,391	737
Idea discretionary supplement:				
Other supplies & materials	-	2,121	1,985	136
In-service & staff development	<u>-</u>	<u>6,000</u>	<u>4,841</u>	<u>1,159</u>
Total idea discretionary supplement	-	8,121	6,826	1,295
Total instructional	<u>1,318,163</u>	<u>1,646,090</u>	<u>1,550,720</u>	<u>95,370</u>
<u>Support services:</u>				
Title I:				
Parenting material	14,570	21,508	18,229	3,279
Other salaries	339,171	357,258	322,878	34,380
Social security	21,029	22,150	19,723	2,427
State retirement	25,044	27,018	27,018	-
Life insurance	1,261	1,332	992	340
Medical insurance	27,348	4,461	4,461	-
Employer medicare	4,918	5,180	4,613	567
Library Books	4,000	6,335	6,039	296
In service & staff development	17,390	30,847	16,282	14,565
Other equipment	<u>-</u>	<u>2,018</u>	<u>1,672</u>	<u>346</u>
Total title I	454,731	478,107	421,907	56,200

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Title II:				
Other salaries and wages	60,000	80,000	55,300	24,700
Social security	3,720	4,960	3,349	1,611
State retirement	5,424	6,512	4,995	1,517
Employer medicare	870	1,160	784	376
Contracted substitutes certified	7,020	4,446	4,446	-
In-service staff development	<u>30,816</u>	<u>36,822</u>	<u>10,943</u>	<u>25,879</u>
Total title II	107,850	133,900	79,817	54,083
Consolidated admin:				
Secretaries	14,935	14,935	14,448	487
Social security	926	926	896	30
Medicare	217	217	210	7
Other supplies & material	1,007	1,007	949	58
Other equipment	<u>1,000</u>	<u>1,000</u>	<u>969</u>	<u>31</u>
Total consolidated admin	18,085	18,085	17,472	613
Idea special education:				
In-service training	-	2,000	100	1,900
In-service/staff development	3,091	3,091	659	2,432
Other contracted services	<u>23,400</u>	<u>4,500</u>	<u>1,408</u>	<u>3,092</u>
Total idea special education	26,491	9,591	2,167	7,424
Total support services	<u>607,157</u>	<u>639,683</u>	<u>521,363</u>	<u>118,320</u>
<u>Non-instructional:</u>				
Idea pre-k:				
Instructional supplies & material	2,317	3,480	3,005	475
In-service & staff development	2,000	2,079	1,435	644
Special ed equipment	<u>2,500</u>	<u>3,177</u>	<u>2,737</u>	<u>440</u>
Total idea pre-k	6,817	8,736	7,177	1,559
pre-school development:				
Supervisor/director	-	25,000	25,000	-
Teachers	-	50,813	50,203	610
Clerical personnel	-	1,917	1,917	-
Educational assistants	-	20,194	19,886	308

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other salaries & wages	-	400	400	-
Social security	-	6,096	5,377	719
State retirement	-	8,660	8,453	207
Life insurance	-	388	375	13
Medical insurance	-	15,518	16,773	(1,255)
Employer medicare	-	1,426	1,258	168
Travel	-	-	-	-
Contracted substitutes certificated	-	5,109	3,744	1,365
Contracted substitutes non-certified	-	1,000	843	157
Other contracted services	-	25,440	25,440	-
Instructional supplies & material	-	48,149	45,355	2,794
Textbooks	-	4,000	-	4,000
Other supplies & materials	-	1,295	1,173	122
In-service/staff development	-	8,391	7,100	1,291
Other charges	-	798	795	3
Total pre-school development	-	224,594	214,092	10,502
 Total non-instructional	<u>6,817</u>	<u>233,330</u>	<u>221,269</u>	<u>12,061</u>
 Total expenditures	<u>1,932,137</u>	<u>2,519,103</u>	<u>2,293,352</u>	<u>225,751</u>
Other financing sources (uses):				
Indirect cost consolidated admin	(306)	(306)	(275)	(31)
Indirect cost title I	(20,787)	(22,296)	(18,952)	(3,344)
Indirect cost title II	(2,156)	(3,549)	(2,129)	(1,420)
Indirect Cost pre-school development	-	(3,769)	(3,392)	(377)
Other financing sources (uses):	<u>(23,249)</u>	<u>(29,920)</u>	<u>(24,748)</u>	<u>(5,172)</u>
 Total expenditures and other issues	<u>1,955,386</u>	<u>2,549,023</u>	<u>2,318,100</u>	<u>230,923</u>
 Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
 Fund balance, at July 1, 2015			<u>-</u>	
 Fund balance, at June 30, 2016			<u><u>\$ -</u></u>	

See accompanying notes.

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Cafeteria Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
Charges for services:				
Lunch payments-adults	\$ 23,500	\$ 23,500	\$ 23,873	\$ 373
Ala Carte	61,000	61,000	59,074	(1,926)
Total charges for services	84,500	84,500	82,947	(1,553)
State:				
State matching funds - national lunch program	-	28,234	28,234	-
Total state	-	28,234	28,234	-
USDA:				
Federal government revenue	1,286,416	1,286,416	1,333,792	47,376
USDA commodities	-	103,742	106,739	2,997
Total usda	1,286,416	1,390,158	1,440,531	50,373
Other revenue:				
Other sources	25	25	106	81
Total other revenue	25	25	106	81
Total revenue	<u>1,370,941</u>	<u>1,502,917</u>	<u>1,551,818</u>	<u>48,901</u>
<u>Expenditures:</u>				
Cafeteria manager	137,979	137,979	138,847	(868)
Part time	344,441	344,441	324,999	19,442
Social security	28,130	28,130	26,014	2,116
TCRS	24,708	24,707	23,071	1,636
Life insurance	1,421	1,421	1,169	252
Medical insurance	54,421	61,500	64,177	(2,677)
Employer medicare	6,841	6,841	6,084	757
Other contracted services	30,000	35,000	32,350	2,650
Food supplies	713,000	678,156	637,722	40,434
Other supplies & material	26,000	70,000	63,752	6,248
Food service equipment	4,000	11,000	9,490	1,510
USDA commodities	-	103,742	103,742	-
Total expenditures	1,370,941	1,502,917	1,431,417	71,500
Revenues over (under) expenditures	\$ -	\$ -	120,401	\$ 120,401
Fund balance, at July 1, 2015			<u>99,172</u>	
Fund balance, at June 30, 2016			<u>\$ 219,573</u>	

See accompanying notes.

Millington Municipal Schools
Statement of Changes in Assets and Liabilities - Student Activity Fund
Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash	\$ 272,113	\$ 512,111	\$ (519,327)	\$ 264,897
Inventory	4,776	-	(858)	3,918
Total assets	<u>\$ 276,889</u>	<u>\$ 512,111</u>	<u>\$ (520,185)</u>	<u>\$ 268,815</u>
LIABILITIES				
Due to student general fund	\$ 134,738	\$ 135,343	\$ (122,380)	\$ 147,701
Due to student groups	142,151	376,768	(397,805)	121,114
Total liabilities	<u>\$ 276,889</u>	<u>\$ 512,111</u>	<u>\$ (520,185)</u>	<u>\$ 268,815</u>

Millington Municipal Schools Board of Education

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Millington Municipal Schools Board of Education ("School") of the City of Millington, Tennessee, conform to generally accepted accounting principles applicable to government as defined by the Statements of Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies:

(A) - Financial reporting entity

The City of Millington, Tennessee ("City") has determined that the School's general purpose fund, federal projects fund, cafeteria fund, and capital projects fund represent special revenue funds of the City and the School's student activity funds are an agency fund of the City.

The financial statements of the School have been prepared in accordance with the generally accepted accounting principles in the United States of America ("GAAP") applicable to governmental units. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the School. These financial statements present the School as funds of a primary government (City of Millington, Tennessee) and there are no component units, entities for which the School is considered financially accountable that should be included.

(B) - Basis of presentation

District-wide financial statements

The district-wide financial statements include a statement of net position and a statement of activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

Governmental fund financial statements

Governmental fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. The School has four special revenue funds which are presented as major funds.

The funds of the financial reporting entity are described below:

Governmental funds

General purpose fund – The general purpose fund is the primary operating fund of the School and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Cafeteria fund – The cafeteria fund accounts for the receipts and expenditures related to the School's cafeteria operations. These funds are required to be maintained in a separate fund.

Federal projects fund – The federal projects fund accounts for the receipts and expenditures of the School's federally funded programs.

Millington Municipal Schools Board of Education
Notes to Financial Statements

Capital projects fund – The capital projects fund accounts for all the School's capital improvement projects.

Agency fund – The agency fund accounts for the School's student activity fund.

(C) - Measurement focus and basis of accounting

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

Measurement focus

The district-wide statement of net position and the statement of activities are presented using the "economic resources" measurement focus. Accordingly, all of the School's assets and liabilities, including capital assets and long-term pension liabilities are included in the accompanying statement of net position. The statement of activities presents changes in net position.

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

Basis of accounting

The district-wide statement of net position and statement of activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School, are property taxes and other local taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

(D) - Budgetary data

Budgets and amendments are prepared by the Director and presented to the School and the City's Mayor and Board of Alderman for approval. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The School's policy is not to allow expenditures to exceed budgetary amounts at the total fund expenditure level.

(E) - Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in checking accounts with depository institutions, and all highly liquid debt instruments purchased with a maturity of three months or less.

Millington Municipal Schools Board of Education
Notes to Financial Statements

(F) – Receivables

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

(G) Inventory

Inventory consists of food supplies and is presented at the lower of cost or market. Inventory is charged to operations when consumed using average cost.

(H) – Capital assets

The School's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets, including intangible assets, are recorded at fair value when received. Capital assets include buildings and equipment used by the School. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or greater. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Buildings, improvements, and equipment, of the School are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25-50 years
Other improvements	50 years
Equipment	10-20 years

(I) - Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has two items that meet this criterion - a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meets this criterion related to pension actuarial losses.

(J) - Compensated absences

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

(K) – Fund balance

Governmental fund equity is classified as fund balance. The governmental fund type classifies fund balances as follows:

Nonspendable

Non-spendable fund balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact.

Restricted

Restricted fund balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Millington Municipal Schools Board of Education

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Committed

Committed fund balance consists of funds that are set aside for a specific purpose by the School's highest level of decision making authority (Board of Education). Formal action, in the form of an ordinance by the Board of Education, to establish, modify or rescind a commitment must be taken by the end of the fiscal year.

Assigned

Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose by the School's highest level of decision making authority or a body or official that has been given the authority to assign funds. At this time, the School has maintained the authorization to assign fund balance.

Unassigned

Unassigned fund balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

When expenditures involve funds in more than one fund balance classification, the School would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of other classified funds.

(L) – Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(M) – 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 Teacher Legacy Pension Plan, Teacher Retirement Plan, and Political Subdivision Pension Plan sponsored by the Tennessee Consolidated Retirement System ("TCRS") and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Investments are reported at fair value.

2. Deposits

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the school's deposits may not be returned to it. To reduce the risk of loss, Tennessee State Law required that all deposits with financial institutions in excess of FDIC limits be secured (1) with a financial institution(s) that participates in the State of Tennessee Bank Collateral Pool administered by the state treasurer or (2) are collateralized with securities held by the Millington Municipal Schools Board of Education's agent in the name of the Board of Education whose market value is equal to 105 percent (105%) of the uninsured deposits. None of the deposits were subject to custodial risk as all balances were insured through FDIC or deposited with banks participating in the State of Tennessee Bank Collateral Pool. At year-end, cash per bank was \$6,844,029 before reconciliation to the carrying amount of \$6,106,633 on the balance sheet.

3. Surety Bonds

The Board of Education carries a \$150,000 blanket bond covering all employees.

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4. Interfund Transfers

During the year ended June 30, 2016, the City transferred \$500,000 to the general purpose fund to be used for general operations and \$1,000,000 to the capital projects fund to be used for renovations, which is recorded as operating revenues.

The School's general purpose fund also transferred \$1,995,920 to the capital projects fund and the federal projects fund transferred \$24,748 to the general purpose fund during fiscal year 2016.

5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as followed:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 815,000	\$ -	\$ -	\$ -	\$ 815,000
Construction in progress	24,973	2,156,896	-	-	2,181,869
Total capital assets not being depreciated	839,973	2,156,896	-	-	2,996,869
Other capital assets:					
Land Improvements	40,600	-	-	-	40,600
Buildings	46,007,102	21,301	(1,175,000)	-	44,853,403
Equipment	311,650	82,005	-	-	393,655
Total other capital assets at historical cost	46,359,352	103,306	(1,175,000)	-	45,287,658
Less accumulated depreciation for:					
Land Improvements	(880)	(812)	-	-	(1,692)
Buildings	(987,816)	(964,385)	48,958	-	(1,903,243)
Equipment	(16,612)	(18,727)	-	-	(35,339)
Total accumulated depreciation	(1,005,308)	(983,924)	48,956	-	(1,940,274)
Other capital assets, net	45,354,044	(880,618)	(1,126,042)	-	43,347,384
Governmental activities capital assets, net	\$ 46,194,017	\$ 1,276,278	\$ (1,126,042)	\$ -	\$ 46,344,253

Depreciation was charged to the instruction function of the general purpose fund.

Capital assets are recorded at cost or estimated cost or fair value at the date of acquisition if actual cost cannot be determined. Interest costs incurred during the construction period are capitalized.

Buildings include an impairment loss of \$1,126,042 due to the permanent closing of the buildings and subsequent demolition after the fiscal year end.

6. Pension Plans

Millington Municipal Schools participates in the following pension plans administered by the Tennessee Consolidated Retirement System (TCRS):

Teacher Legacy Pension Plan (TLPP) – Teachers with membership in TCRS prior to June 30, 2014 are included in the TLPP. The TLPP was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The TLPP is a cost sharing multiple-employer pension plan.

Teacher Retirement Plan (TRP) – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The TRP is a hybrid plan which features both a defined contribution element and a pension plan element. The TRP is a cost sharing multiple-employer pension plan.

Political Subdivision Pension Plan (PSPP) – Certain administrative employees are include in the PSPP, which is maintained separately from the City of Millington's PSPP

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 all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

(A) – Teacher Legacy Pension Plan

General Information about the Pension Plan

Plan Description - Teachers, with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Millington Municipal Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014 who did not have prior membership in TCRS. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Millington Municipal Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$912,429, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities - At June 30, 2016, Millington Municipal Schools reported a liability of \$100,021 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Millington Municipal Schools' proportion of the net pension liability was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Millington Municipal Schools' proportion was 0.244172 percent. The proportion measured as of June 30, 2014 was 0.000664 percent.

Pension Expense - For the year ended June 30, 2016, Millington Municipal Schools recognized a pension expense of \$437,884 related to the Teacher Legacy Pension Plan.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, Millington Municipal Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,271	\$ 1,556,844
Net difference between projected and actual earnings on pension plan investments	1,806,069	2,451,837
Changes in proportion of Net Pension Liability (Asset)	2,611,633	-
LEA's contributions subsequent to the measurement date of June 30, 2015	912,429	-
Total	<u>\$ 5,410,402</u>	<u>\$ 4,008,681</u>

Millington Municipal Schools Board of Education
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Millington Municipal Schools' employer contributions of \$912,429, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset for the year ended June 30, 2017. Other 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>	
2017	\$ (138,750)
2018	(138,750)
2019	(138,750)
2020	678,529
2021	227,012
Thereafter	-

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

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary 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.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate - The following presents Millington Municipal Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Millington Municipal Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount (7.5%)</u>	<u>1% Increase (8.5%)</u>
Millington Municipal Schools' Proportionate share of the net Pension liability (asset)	\$ 6,819,106	\$ 100,021	\$ (5,462,589)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

(B) – Teacher Retirement Plan

General Information about the Pension Plan

Plan Description - Teachers, with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Millington Municipal Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple- employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in 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

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be obtained at www.treasury.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. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions - Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were \$62,800, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets - At June 30, 2016, Millington Municipal Schools reported an asset of \$19,301 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value of that date. Millington Municipal Schools' proportion of the net pension asset was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Millington Municipal Schools' proportion was 0.479760 percent.

Pension Expense - For the year ended June 20, 2016, Millington Municipal Schools recognized pension expense of \$25,294.

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Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, Millington Municipal Schools reported deferred outflows of resources related to the Teacher Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,282
Net difference between projected and actual earnings on pension plan investments	1,560	-
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>62,800</u>	<u>(not applicable)</u>
Total	<u>\$ 64,360</u>	<u>\$ 6,282</u>

Millington Municipal School's employer contributions of \$62,800, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized an increase of net pension liability (asset) in the year ended June 20, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year Ended
June 30,**

2017	\$ (133)
2018	(133)
2019	(133)
2020	(133)
2021	(524)
Thereafter	(3,665)

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

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

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The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary 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.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate - The following presents Millington Municipal Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Millington Municipal Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount (7.5%)</u>	<u>1% Increase (8.5%)</u>
Millington Municipal Schools' Proportionate share of the net Pension liability (asset)	\$ 3,422	\$ (19,301)	\$ (35,966)

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Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

C) – Political Subdivision Pension Plan

General Information about the Pension Plan

Plan Description - Employees of Board of Education of Millington Municipal Schools are provided a defined benefit pension plan through the Political Subdivision Pension Plan, an agent multiple-employer pension plan administered by the TCRS. Legislation passed in 2013 permits a local board of education to participate in TCRS separately from the local government. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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

Employees covered by benefit terms - At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>75</u>
	<u>82</u>

Contributions - Contributions are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Support personnel and non-teachers contribute 5 percent of their salary. The Local Education Agencies (LEAs) makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for the Political Subdivision Pension Plan was \$182,233 based on a rate of 8.14 percent of covered payroll. By law, employer contributions for the Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Political Subdivision Pension Plan were \$165,710, which is 8.14 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to

Millington Municipal Schools Board of Education
Notes to Financial Statements

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.

Changes in the Net Pension Liability (Asset)

	(a) <u>Total Pension Liability</u>	(b) <u>Plan Fiduciary Net Position</u>	(a) – (b) <u>Net Pension Liability (Asset)</u>
Balance at 6/30/14	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	272,709	-	272,709
Interest	20,415	-	20,415
Difference between expected and actual experience	(17,138)	-	(17,138)
Contributions- employer	-	182,233	(182,233)
Contributions- employees	-	90,476	(90,476)
Net investment income	-	4,119	(4,119)
Benefit payments, including refunds of employee contributions	(1,005)	(1,005)	-
Administrative expense	-	(4,222)	4,222
Other changes	-	-	-
Net changes	<u>274,981</u>	<u>271,601</u>	<u>3,380</u>
Balance at 6/30/15	<u>\$ 274,981</u>	<u>\$ 271,601</u>	<u>\$ 3,380</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the Political Subdivision Pension Plan calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount (7.5%)</u>	<u>1% Increase (8.5%)</u>
Political Subdivision Pension Plan net Pension liability (asset)	\$ 54,571	\$ 3,380	\$ (37,786)

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

Pension Expense - For the year ended June 30, 2016, the Political Subdivision Pension Plan recognized pension expense of \$196,117.

Millington Municipal Schools Board of Education
Notes to Financial Statements

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2016, Millington Municipal Schools reported deferred outflows of resources related to the Political Subdivision Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 15,234
Net difference between projected and actual earnings on pension plan investments	4,730	-
Contributions subsequent to the measurement date of June 30, 2015	<u>165,710</u>	<u>(not applicable)</u>
Total	<u>\$ 170,440</u>	<u>\$ 15,234</u>

The Political Subdivision Pension Plan contributions of \$165,710 reported as pension related deferred outflow of resources, subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2016.

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>	
2017	\$ (722)
2018	(722)
2019	(722)
2020	(722)
2021	(1,904)
Thereafter	(5,712)

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

7. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the School's management expects such amounts, if any, to be immaterial.

8. Risk Management

The School 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 for which the School carries commercial insurance. In 2016, there were no material liability claims made by the school and settled claims resulted from these risks have not exceeded commercial in any of the past three years.

The School did not use the services of an attorney during the fiscal year ending June 30, 2016. School management is not aware of any threatened or active legal issues.

9. General Long-Term Obligations

Bond obligations

The School has no long-term bond debt as the Board of Education is fiscally dependent on the City of Millington, Tennessee for the issuance of debt for its capital projects.

Litigation settlement

In January 2014, the County Commission of Shelby County, Tennessee, the City and the School entered a settlement agreement to resolve all claims and contentions between the parties concerning the formation of the School. As a condition of the settlement, the School agreed to pay the Shelby County Board of Education twelve annual payments of \$230,219 for total of \$2,762,628. During fiscal 2016, the School made their second payment of \$230,219 and recognized interest expense of \$57,565 using an effective interest rate of 2.89%. As of June 30, 2016, the School has recorded a liability of \$1,199,629 in the statement of net position to reflect the net present value of the remaining eleven payments under this settlement liability. Future payments under the litigation settlement are as follows:

<u>Year</u>	
2017	230,219
2018	230,219
2019	230,219
2020	230,219
2021	230,219
2022-2026	<u>1,151,095</u>
Total payments	2,302,190
Less amount representing interest	<u>(302,561)</u>
Net litigation settlement obligation	<u>\$ 1,999,629</u>

10. Post-employment Healthcare Benefits

On June 6, 2016, the Millington Municipal Schools Board of Education passed a resolutions to participate in the Tennessee School Boards Association OPEB Trust ("TSBA OPEB Trust"). The School funded the TSBA OPEB Trust with an initial deposit of \$50,000. On September 6, 2016 the Millington Municipal Schools Board of Education approved a retiree healthcare plan to be administered by the TSBA OPEB Trust to be effective January 1, 2017.

Required Supplementary Information

Millington Municipal Schools
Schedules of Proportionate Share of Net Pension Asset - Teacher Legacy
Pension Plan of TCRS
Years Ended June 30,

	<u>2016</u>	<u>2015</u>
Proportion of net pension asset	0.244172%	0.000664%
Proportionate share of the net pension asset	\$ 100,021	\$ (108)
Covered-employee payroll	\$ 9,140,585	\$ 26,054
Proportionate share of the net pension asset as a percentage of covered-employee payroll	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability	99.80%	100.08%

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

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

Millington Municipal Schools
Schedules of Contributions - Teacher Legacy Pension Plan of TCRS
Years Ended June 30,

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

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

Millington Municipal Schools
Schedule of Proportionate Share of Net Pension Liability (Asset) -
Teacher Retirement Plan of TCRS
Year Ended June 30,*

	2016
Proportion of net pension liability (asset)	0.479760%
Proportionate share of the net pension liability (asset)	\$ (19,301)
Covered-employee payroll	\$ 996,818
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-1.94%
Plan fiduciary net position as a percentatage of the total pension liability	127.46%

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

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

Millington Municipal Schools
Schedules of Contributions - Teacher Retirement Plan of TCRS
Years Ended June 30,

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

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

Millington Municipal Schools**Schedule of Changes in Net Pension Liability and Related Ratios- Based on Participation in the Political Subdivision Pension Plan of TCRS****Year ending June 30,**

	2015
Total pension liability:	
Service cost	\$ 272,709
Interest	20,415
Changes in benefit terms	-
Differences between actual and expected experience	(17,138)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,005)
Net change in total pension liability (asset)	274,981
Total pension liability—beginning	-
Total pension liability—ending (a)	\$ 274,981
Plan fiduciary net position:	
Contributions—employer	\$ 182,233
Contributions—employee	90,476
Net investment income	4,119
Benefit payments, including refunds of employee contributions	(1,005)
Administrative expense	(4,222)
Other	-
Net change in plan fiduciary net position	271,601
Plan fiduciary net position—beginning	-
Plan fiduciary net position—ending (b)	\$ 271,601
Town's net pension liability—ending (a) – (b)	\$ 3,380
Plan fiduciary net position as a percentage of the total pension liability	98.77%
Covered-employee payroll	\$ 2,238,733
Town's net pension liability as a percentage of covered-employee payroll	0.15%

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

Millington Municipal Schools
Schedules of Contributions - Political Subdivision Pension Plan of TCRS
Years Ended June 30,

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 165,710	\$ 182,233
Contributions in relation to the actuarially determined contribution	<u>165,710</u>	<u>182,233</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,035,748	\$ 2,238,733
Contributions as a percentage of covered-employee payroll	8.14%	8.14%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

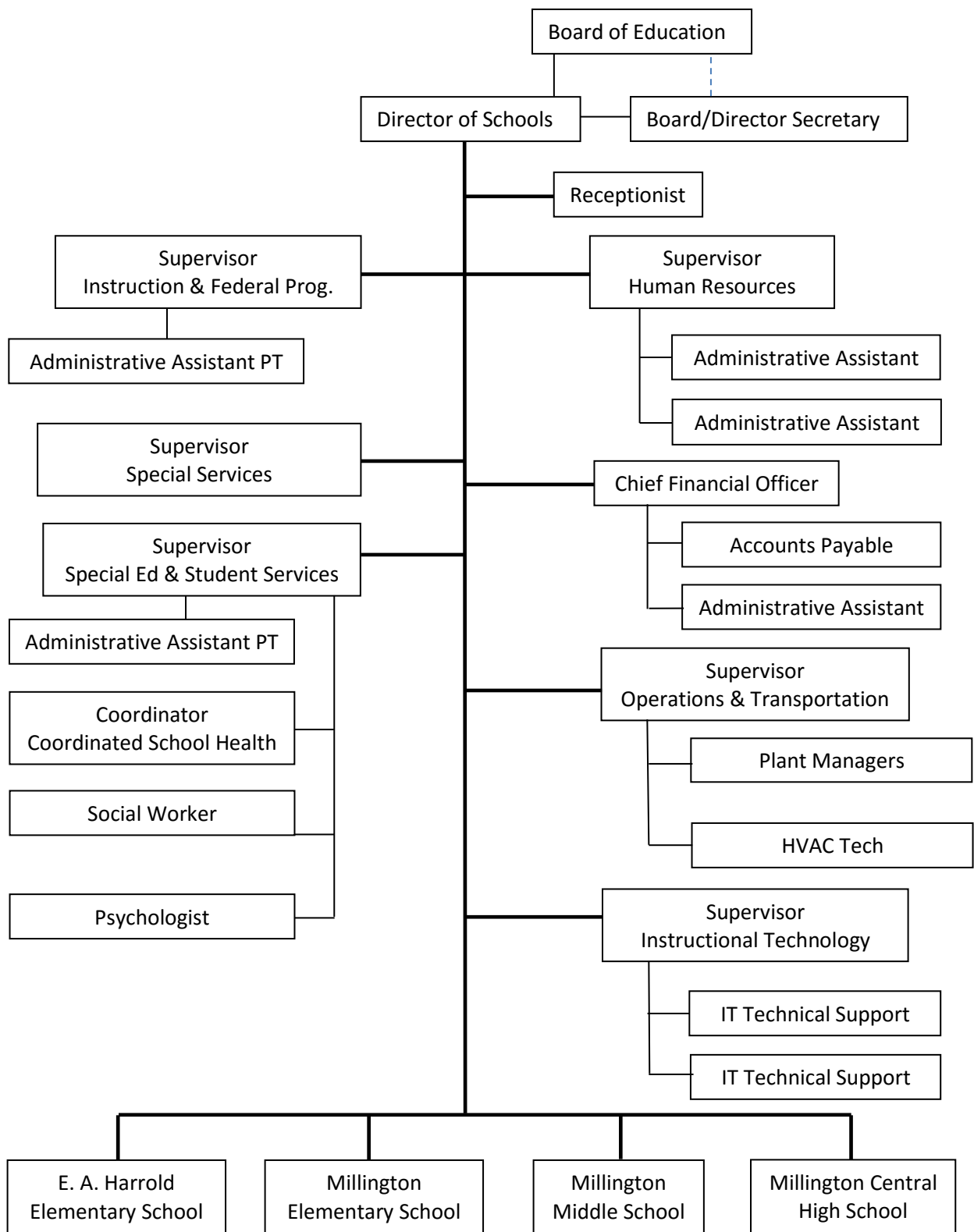
Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	0 years
Asset valuation method	10-year smoothed within a 20.0% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of plan 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	2.5%

Other Supplementary Information

Millington Municipal Schools-Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
Other statutory local taxes	\$ -	\$ -	\$ 614,054	\$ 614,054
Donations	-	-	5,000	5,000
Insurance recovery	-	28,394	28,394	-
Transfer in from city	<u>750,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total revenue	<u>750,000</u>	<u>1,028,394</u>	<u>1,647,448</u>	<u>619,054</u>
<u>Expenditures:</u>				
Architects	125,000	258,591	130,418	128,173
Consultants	-	30,700	17,300	13,400
Building improvements	1,375,000	2,286,663	2,095,564	191,099
Motor vehicles no location	-	32,500	22,118	10,382
Other capital outlay no location	-	510,000	-	510,000
Flood repairs	<u>-</u>	<u>35,815</u>	<u>35,815</u>	<u>-</u>
Total expenditures	<u>1,500,000</u>	<u>3,154,269</u>	<u>2,301,215</u>	<u>853,054</u>
<u>Other financing sources:</u>				
Transfer from other fund	750,000	1,995,920	1,995,920	-
Planned use of fund balance	<u>-</u>	<u>129,955</u>	<u>-</u>	<u>(129,955)</u>
Total other financing sources	<u>750,000</u>	<u>2,125,875</u>	<u>1,995,920</u>	<u>(129,955)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,342,153</u>	<u>\$ 1,342,153</u>
Fund balance, at July 1, 2015			<u>129,955</u>	
Fund balance, at June 30, 2016			<u>\$ 1,472,108</u>	

**Millington Municipal Schools
Organizational Chart
June 30, 2016**



Millington Municipal Schools
Roster of School Officials
June 30, 2016

Board of Education

<u>Title</u>	<u>Name</u>
Chairperson	Cody Childress
Vice Chairperson	Gregory Ritter
Board Member	Cecilia Haley
Board Member	Charles Hurt, Jr.
Board Member	Donald Holsinger
Board Member	Larry Jackson
Board Member	Mary Kennon, Ed. D.

<u>Title</u>	<u>Name</u>
Director of Schools	David Roper, Ed. D.
Chief Financial Officer	Bruce Rasmussen
Supervisor of Human Resources	Amy Jones
Supervisor of Instructional Technology	Chris Scoggins
Supervisor of Operations and Transportation	Oscar Brown
Supervisor of Regular Instructional	Georgia Dawson
Supervisor of Special Education and Student Services	Jill Church
Supervisor of Special Services	Jerri Jackson, Ed. D.

Governmental Auditing Standards Section

Millington Municipal Schools
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

CFDA Number	Program Name	Receivable (Deferral) June 30, 2015	Receipts	Expenditures	Receivable (Deferral) June 30, 2016
Federal Awards:					
U.S. Department of Defense Direct Program:					
12.000	NJROTC Instruction	\$ -	\$ 97,924	\$ 97,924	\$ -
	Total U.S. Department of Defense Direct Program:	-	97,924	97,924	-
U.S. Department of Agriculture Pass Through Programs:					
Child Nutrition Cluster:					
10.553	School Breakfast Program	(799)	370,917	371,716	-
10.555	National School Lunch Program - Non Cash Assistance	-	106,739	106,739	-
10.555	National School Lunch Program - Cash Assistance	(2,064)	958,212	960,276	-
	Total Child Nutrition Cluster	(2,863)	1,435,868	1,438,731	-
10.560	Healthy Hunger Free Kids Act	-	1,800	1,800	-
	Total U.S. Department of Agriculture	(2,863)	1,437,668	1,440,531	-
U.S. Department of Education Pass Through Programs:					
84.010A	Title I Grants to Local Educational Agencies	66,893	1,256,017	1,295,175	106,051
84.010A	Consolidated Administration Pool	1,143	14,912	16,010	2,241
	Total Title I Grants to Local Educational Agencies	68,036	1,270,929	1,311,185	108,292
84.367A	Title II, Part A Improving Teacher Quality State Grants	2,287	101,345	121,608	22,550
84.367A	Consolidated Administration Pool	124	1,618	1,737	243
	Total Title II, Part A Improving Teacher Quality State Grants	2,411	102,963	123,345	22,793
84.419B	Pre-School Expansion Grant	-	168,139	217,484	49,345
Special Education Cluster (IDEA):					
84.027A	IDEA Part B	33,396	658,277	658,909	34,028
84.173A	IDEA PreSchool Incentive	52	7,229	7,177	-
	Total Special Education Cluster (IDEA)	33,448	665,506	666,086	34,028
	Total U.S. Department of Education	103,895	2,207,537	2,318,100	214,458
	Total Pass Through:	101,032	3,645,205	3,758,631	214,458
	Total Federal Awards	101,032	3,743,129	3,856,555	214,458
State Awards					
Tennessee Department of Education:					
	Basic Education Program	-	12,182,000	12,182,000	-
	Coordinated School Health	5,235	76,387	77,180	6,028
	Voluntary Pre-K	22,385	263,551	267,059	25,893
	Explore and Plan Assessments Reimbursement	-	5,038	5,038	-
	Career Ladder	-	45,322	45,322	-
	Extended Career Ladder Contracts	(612)	-	612	-
	Safe School Grant	-	13,680	13,680	-
	Online Readiness Funds (Connect TN)	(131,894)	7,132	139,026	-
	Family Service Center Grant	29,611	59,223	29,612	-
	State Matching Fund-National Lunch Program	-	28,233	28,233	-
	HIV Prevention Education	-	1,500	1,500	-
	SPED High Cost Reimbursement	-	13,053	13,053	-
	Total State Awards	(75,275)	12,695,119	12,802,315	31,921
	Total Federal and State Awards	\$ 25,757	\$ 16,438,248	\$ 16,658,870	\$ 246,379

See accompanying notes.

Millington Municipal Schools
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

Note - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Millington Municipal Schools (the "School") and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements. 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. The School has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' 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

Board of Education
Millington Municipal Schools
Millington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the district-wide financial statements of the governmental activities, each major fund, and fiduciary fund of the Millington Municipal Schools Board of Education ("School"), which are special revenue funds and an agency fund of the City of Millington, Tennessee ("City"), as of and the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2016. Our report disclosed that the financial statements of the School are intended to present only that portion of the City that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, the changes in its financial position, budgetary comparison, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

There were no prior findings reported.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Memphis, Tennessee
December 12, 2016**

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Millington Municipal Schools
Millington, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Millington Municipal School's ("School") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect each of the School's major federal programs for the year ended June 30, 2016. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

**Memphis, Tennessee
December 12, 2016**

**Millington Municipal Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____yes ____x____ no

Significant deficiency(ies) identified not considered to be material weaknesses?

____yes ____x____ none reported

Noncompliance material to financial statements noted?

____yes ____x____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

____yes ____x____ no

Significant deficiency(ies) identified not considered to be material weaknesses?

____yes ____x____ none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

____yes ____x____ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.010	Title I Grants to Local Educational Agencies	<u>\$1,311,185</u>
10.553	School Breakfast Program	371,716
10.555	National School Lunch Program	<u>1,067,015</u>
	Child Nutrition Cluster	<u>\$1,438,731</u>

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

Auditee qualified as low-risk auditee? ____yes ____x____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None reported