

Millington Municipal Schools Board of Education

Audited Financial Statements

Year Ended June 30, 2017

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Millington Municipal Schools Board of Education

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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 funds 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, 2017, 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 funds, of the Millington Municipal Schools Board of Education as of June 30, 2017, 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

Financial reporting entity

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 funds 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, 2017, 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.

Changes in Accounting Principle

The School implemented Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in the fiscal year ending June 30, 2017. The implementation of the Statement modified note disclosures related to the School's Post employment benefit plan and added additional required supplementary information schedules. The School also began recording the OPEB trust as a fiduciary fund. 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 4-10) and certain pension and post employment benefit information (pages 58-60), 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 6, 2017, 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 6, 2017**

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017**

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, 2017.

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, 2017, for Millington Municipal Schools are as follows:

- **Net position.** Total governmental assets and deferred outflows at year-end were \$62.3 million and exceeded liabilities and deferred inflows of resources by \$55.9 million (net position). Of the total net position \$7.7 million is unrestricted that may be used to meet the government's ongoing obligations to citizens and creditors. Net position increased from fiscal year 2016 to fiscal year 2017 by \$3.7 million.
- **Fund balances.** At the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$7,763,192, of which \$4,980,238 (unassigned fund balance) may be used to meet the School's spending requirements, \$2,419,605 are assigned to capital projects, \$336,808 are restricted for instruction, instructional support and nutrition, and \$26,541 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 \$5.0 million. The Federal Projects Fund balance was \$0. The Cafeteria Fund Balance was \$352,188. The Capital Project Fund balance was \$2.4 million.
- **General purpose school fund.** This was the third full year of school operations. In fiscal year 2016, the School had a fund balance of \$4.4 million. During the current year, fund balance for the General Purpose School Fund was \$5.0 million, or 22% of current year expenditures.
- **Capital assets.** During the year the capital assets increased by 10%. The School purchased the land and buildings known as the Civic Center from the City of Millington, and purchased various equipment for operations. The School received \$423,540 from Shelby County for Capital projects, and \$1.95 million was transferred in from the General Purpose School Fund.
- **Cafeteria fund.** In fiscal year 2016, the Cafeteria Fund balance was \$219,573. For fiscal year 2017, the Cafeteria Fund balance was \$352,188, or 22% of current year expenditures.
- **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, 2017**

(WFTEADA). For fiscal year 2016 the WFTEADA was 1.81% and for fiscal year 2017 it was 1.80%. 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 11 and 12 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 School Fund, School Federal Projects Fund, the Cafeteria Fund and the Capital Projects Fund.

Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017

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

Fiduciary funds. The Schools maintains two fiduciary funds. Fiduciary funds account for assets held in a trustee capacity or as an agent for individuals. The School uses a fiduciary fund to account for the activities and accumulation of resources for payments to qualified participants and investments held by external organizations. The OPEB fund accounts for transactions related solely to retiree group medical benefits. The student activity fund accounts for all money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school. The basic fiduciary fund financial statements can be found on pages 33 - 36 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 16 through 32 and page 69 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 36 through 57 of this report.

Required Supplementary Information (RSI): This information provides a schedule of proportionate share of net pension assets 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 58 through 68 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 \$55.9 million at June 30, 2017.

Condensed Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 8,708,819	\$ 7,391,515
Capital assets, net	47,886,150	46,344,253
Pension assets, net	<u>37,145</u>	<u>-</u>
Total assets	56,632,114	53,735,768
Deferred outflow of resources	5,657,303	5,645,202
Liabilities:		
Current Liabilities	2,687,235	1,397,221
Long-term liabilities	<u>1,592,181</u>	<u>1,769,410</u>
Total liabilities	4,279,416	3,166,631
Deferred inflows of resources	2,133,121	4,030,197
Net position:		
Invested in capital assets	47,886,150	46,344,253
Restricted	336,808	210,325
Unrestricted	<u>7,653,922</u>	<u>5,629,564</u>
Total net position, before restatement	<u>\$ 55,876,880</u>	<u>\$ 52,184,142</u>

Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017

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.

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 \$3.7 million during fiscal year 2017. 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, 2017 and 2016, are as follows:

Condensed Statement of Changes in Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues		
Charges for services	\$ 86,820	\$ 82,947
Operating grants and contributions	17,564,138	17,166,846
General revenues:		
Taxes	11,041,536	10,571,355
Intergovernmental revenue	1,942,820	1,500,000
Other revenues	<u>488,074</u>	<u>543,518</u>
Total revenues	31,123,388	29,864,666
Expenses:		
Instructional	15,239,935	13,958,130
Support Services	9,592,870	9,389,057
Non-instructional (pre-school)	740,133	728,344
Food service	1,581,330	1,431,417
Capital outlay	223,393	257,498
Interest charges	<u>52,990</u>	<u>57,565</u>
Total Expenses	27,430,651	25,822,011
Special item – impairment of capital assets	<u>-</u>	<u>(1,126,042)</u>
Change in net position	3,692,738	2,916,613
Net position, beginning of year	<u>52,184,142</u>	<u>49,267,529</u>
Net position, end of year	<u>\$ 55,876,880</u>	<u>\$ 52,184,142</u>

The significant factors contributing toward the fiscal year 2017 \$3.7 million increase in net position were the additions to the capital assets from the acquisition of the Civic Center from the City, an increase in Basic Education Funding (BEP) from the State, and an increase in Shelby County government funding.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017**

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.

The School's BEP allocation for fiscal year 2017 was \$12,622,000. It was based on the student Average Daily Membership (ADM) of 2,536 students during the fiscal year 2016. The BEP allocation was 73.11% for Instructional Funding, 78.63% for Classroom Funding and 50.93% for Non-Classroom Funding. The required local matching funds were 26.89%, 21.37% and 49.07%, respectively. The total required local match was \$5,811,000. 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 and contributions from the Shelby County government consist of Shelby County property taxes, local option sales taxes, mixed drink tax, wheel tax, and general fund transfers were \$10,307,282 in fiscal year 2017. Shelby County also allocated \$423,540 for capital improvement projects.

The City of Millington transferred \$500,000 for operations and \$230,219 for the Shelby County Board of Education debt.

Expenses. Instructional expenses represent the largest category for fiscal year 2017 with expenses of \$15,239,935, which is 56% of total expenses for fiscal year 2017.

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, 2017, the School's governmental funds reported a combined fund balance of \$7,763,192, an increase of \$1,699,145 from the previous year. Approximately 64% or \$4,980,238 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. \$26,541 is classified as non-spendable for prepaid expenses and cafeteria inventory, \$336,808, is restricted for a specific purpose per enabling legislation, and \$2,419,605 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, 2017, unassigned fund balance was \$4,980,238 while total fund balance was \$4,991,399. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 22% of total general purpose school fund expenditures. The total fund balance represents 22% of total general purpose school fund expenditures.

The fund balance of the School's General Purpose School Fund increased by \$619,033 during the current fiscal year. A few highlights of the General Purpose School Fund are as follows:

- Revenues and other net financing sources were \$24,909,899 for fiscal year 2017 and \$24,327,482 for fiscal year 2016, with a net increase of \$582,417. The major factors contributing to the increase in fiscal

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017**

year 2017 were the increase in BEP funding from the state for pay increases and the increase in Shelby County funding.

- Expenditures and other uses were \$24,290,866 for fiscal year 2017 and \$23,722,523 for fiscal year 2016, an increase on \$568,343. The primary factor for the increase was the purchase of additional equipment for the classrooms and replacement of old computer equipment.
- Instructional expenditures represent 51.6% of the total expenditures and other uses for fiscal 2017.

Federal Projects Fund. The Federal Projects Fund, which accounts for a majority of the School's federal grants, reported revenues and expenditures of \$2,358,852 for fiscal year 2017 compared to \$2,318,100 for fiscal year 2016.

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 \$352,188 at the end of fiscal year 2017.

Capital Projects Fund. The Capital Projects Fund received \$2,386,393 in revenues and other financing sources. The Shelby County government provided \$423,540 and the federal government \$12,853 for capital projects. The Schools transferred in \$1,950,000 from the general fund. The fund balance is \$2,419,605 which is assigned to capital projects in fiscal year 2017.

BUDGETARY HIGHLIGHTS

There was a net increase of \$881,224 in budgetary amendments to the General Purpose Fund's expenditures during fiscal year 2017. This was primarily due to transfer of funds to the Capital Projects Fund and an increase in revenue during the year allowing for the purchase of equipment for the classrooms.

The General Purpose Fund balance increased \$619,033. Current year expenditures in instructional and support services were \$1.1 million less than budgeted.

Actual revenues and other financing sources were over budgeted amounts by \$513,480 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 \$100,680 under budget in the general fund.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2017, was \$51,687,699 with accumulated depreciation of \$3,801,549 resulting in a net book value of \$47,886,150.

The majority of capital asset activity is due to the purchase of the Civic Center from the City.

Condensed Statement of Capital Assets

	<u>2017</u>	<u>2016</u>
Land	\$ 815,000	\$ 815,000
Land Improvements	40,600	40,600
Buildings	49,632,761	44,853,403
Equipment	433,593	393,655
Construction in progress	<u>765,745</u>	<u>2,181,869</u>

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis
Year Ended June 30, 2017**

Less accumulated depreciation	<u>51,687,699</u> <u>(3,801,549)</u>	<u>48,284,527</u> <u>(1,940,274)</u>
Total assets	<u>\$ 47,886,150</u>	<u>\$ 46,344,253</u>

Enrollment

Fiscal year 2017 was the third 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 2017 was 2,540 compared to 2,536 at the end of fiscal year 2016. Management is closely monitoring various factors affecting enrollment.

Economic Factors and Next Year's Budget

During the preparation of the fiscal year 2018 budget, the following major assumptions were used.

The fiscal year 2018 budgeted expenditures for the General Purpose Fund are \$23.6 million. This is a 3% decrease over fiscal year 2017 expenditures of \$24.2 million. The School does not anticipate transferring funds to the Capital Projects Fund in fiscal year 2018.

Compensation and benefits budgeted in fiscal year 2018 for employees are \$17.9 million. This is a 3% increase over fiscal year 2017 expenditures of \$17.4 million. The increase is primarily due to a pay increase for employees, and an increase in health care benefits.

For fiscal year 2018, the School has projected a 5% average increase in health insurance premiums. The TCRS pension employer contribution rate increased from 9.04% to 9.08% for legacy certified (teachers) staff and remained at 9% for certified (teachers) staff hired after July 1, 2014. The rate remained 8.93% for non-certified (support) staff. Life insurance premiums are not projected to increase.

A pay raise of \$1,000 for certified staff and a 2% increase for classified staff is projected for all full-time employees.

The construction of a new Performing Arts Center for the High School at approximately \$6.7 million is projected to begin in fiscal year 2018.

FINAL COMMENTS

The Millington Municipal School District worked through many challenges and unknowns in the third 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. At the end of this year a trend is developing that will assist in the budgeting process.

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 Board of Education
Statement of Net Position
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,860,393
Receivables:	
Accounts receivable	12,176
Due from other governments	1,809,709
Inventory	24,999
Prepaid expenses	1,542
	<hr/>
Total current assets	8,708,819

Capital assets:

Nondepreciable assets:	
Land	815,000
Construction in progress	765,745
Capital assets being depreciated:	
Building and Improvements	49,632,761
Other Improvements	40,600
Equipment	433,593
Accumulated depreciation	(3,801,549)
	<hr/>
Total capital assets	47,886,150

Net pension asset	<hr/>
	37,145

Total assets	<hr/>
	56,632,114

Deferred outflows of resources:

Actuarial gains-pension	4,439,717
Pension contributions submitted after measurement date	1,217,586
	<hr/>
Total deferred outflows of resources	5,657,303

LIABILITIES

Accounts payable and accrued liabilities	345,288
Unearned revenue	1,041
Net pension liability	1,777,192
Other postemployment benefits	333,495
Settlement liability	
Due within one year	230,219
Due in more than one year	1,592,181
	<hr/>
Total liabilities	4,279,416

Deferred inflow of resources:

Actuarial losses-pension	2,133,121
	<hr/>
Total deferred inflows of resources	2,133,121

NET POSITION

Investment in capital assets	47,886,150
Restricted:	
Net pension asset	37,145
Grants and other	336,808
Unrestricted	7,616,777
	<hr/>
Total net position	<hr/>
	\$ 55,876,880

Millington Municipal Schools Board of Education
Statement of Activities
Year Ended June 30, 2017

				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	\$ 15,239,935	\$ -	\$ 15,952,961	\$ 713,026
Support services	9,592,870	-	-	(9,592,870)
Non-instructional services	740,133	-	-	(740,133)
Capital outlay	223,393	-	-	(223,393)
Food service	1,581,330	86,820	1,611,177	116,667
Interest charges	52,990	-	-	(52,990)
Total	<u>\$ 27,430,651</u>	<u>\$ 86,820</u>	<u>\$ 17,564,138</u>	<u>(9,779,693)</u>
General revenues:				
Taxes				11,041,536
General contributions				1,942,820
Other revenues				<u>488,075</u>
Total general revenues				13,472,431
Change in net position				3,692,738
Net position, beginning of year				<u>52,184,142</u>
Net position, ending of year				<u>\$ 55,876,880</u>

Millington Municipal Schools Board of Education
Balance Sheet – Governmental Funds
June 30, 2017

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,109,333	3,465	\$ 327,990	\$ 2,419,605	\$ 6,860,393
Receivables:					
Accounts receivable	11,936	-	240	-	12,176
Due from other governments	1,484,076	325,633	-	-	1,809,709
Due from (to) other funds	325,633	(325,633)	-	-	-
Inventory	-	-	24,999	-	24,999
Prepaid expenses	1,542	-	-	-	1,542
Total assets	<u>\$ 5,932,520</u>	<u>\$ 3,465</u>	<u>\$ 353,229</u>	<u>\$ 2,419,605</u>	<u>\$ 8,708,819</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 341,823	3,465	\$ -	-	\$ 345,288
Total liabilities	<u>341,823</u>	<u>3,465</u>	<u>-</u>	<u>-</u>	<u>345,288</u>
Deferred Inflow of Resources					
Unavailable revenue	<u>599,298</u>	<u>-</u>	<u>1,041</u>	<u>-</u>	<u>600,339</u>
FUND BALANCES					
Nonspendable	1,542	-	24,999	-	26,541
Restricted	9,619	-	327,189	-	336,808
Assigned	-	-	-	2,419,605	2,419,605
Unassigned	<u>4,980,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,980,238</u>
Total fund balances	<u>4,991,399</u>	<u>-</u>	<u>352,188</u>	<u>2,419,605</u>	<u>7,763,192</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,932,520</u>	<u>\$ 3,465</u>	<u>\$ 353,229</u>	<u>\$ 2,419,605</u>	<u>\$ 8,708,819</u>
Fund balance, total governmental funds					\$ 7,763,192
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds					47,886,150
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					599,298
Settlement liability not due and payable in the current period					(1,822,400)
Deferred pension contributions					1,217,586
Other postemployment benefits					(333,495)
Deferred outflow resources/deferred inflow resources /net pension liability					566,549
Net Position of Governmental Activities					<u>\$ 55,876,880</u>

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2017

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
County taxes	\$ 10,225,636	\$ -	\$ -	\$ 423,540	\$ 10,649,176
Other local taxes	37,628	-	-	-	37,628
Federal funds	210,584	2,358,852	1,611,177	12,853	4,193,466
Other federal revenue	215,936	-	-	-	215,936
State education funds	13,046,955	-	-	-	13,046,955
Other state revenue	48,194	-	15,569	-	63,763
Other local revenue	230,219	-	-	-	230,219
General contributions from:					
Shelby County Government	44,018	-	-	-	44,018
City of Millington	500,000	-	-	-	500,000
Charges for services	-	-	86,820	-	86,820
Other revenue	257,477	-	379	-	257,856
Total revenues	<u>24,816,647</u>	<u>2,358,852</u>	<u>1,713,945</u>	<u>436,393</u>	<u>29,325,837</u>
Expenditures:					
Instruction	12,527,334	1,495,008	-	-	14,022,342
Support services	9,045,866	547,004	-	-	9,592,870
Non-instructional services	516,545	223,588	-	-	740,133
Capital outlay	20,902	-	-	1,438,896	1,459,798
Food services	-	-	1,581,330	-	1,581,330
Debt service	230,219	-	-	-	230,219
Total expenditures	<u>22,340,866</u>	<u>2,265,600</u>	<u>1,581,330</u>	<u>1,438,896</u>	<u>27,626,692</u>
Excess of revenues over (under) expenditures	<u>2,475,781</u>	<u>93,252</u>	<u>132,615</u>	<u>(1,002,503)</u>	<u>1,699,145</u>
Other financing sources (uses):					
Transfer in	93,252	-	-	1,950,000	2,043,252
Transfer out	<u>(1,950,000)</u>	<u>(93,252)</u>	<u>-</u>	<u>-</u>	<u>(2,043,252)</u>
	<u>(1,856,748)</u>	<u>(93,252)</u>	<u>-</u>	<u>1,950,000</u>	<u>-</u>
Net change in fund balances	619,033	-	132,615	947,497	1,699,145
Fund balances, beginning of year	<u>4,372,366</u>	<u>-</u>	<u>219,573</u>	<u>1,472,108</u>	<u>6,064,047</u>
Fund balances, ending of year	<u>\$ 4,991,399</u>	<u>\$ -</u>	<u>\$ 352,188</u>	<u>\$ 2,419,605</u>	<u>\$ 7,763,192</u>

See accompanying notes.

Millington Municipal Schools Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balance, total governmental funds	\$ 1,699,145
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	1,236,405
Depreciation expense	(1,137,328)
Capital assets contributed by City of Millington	1,442,820
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.	354,732
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.	177,229
Contributions made to pension plans after the measurement date (June 30, 2016) will not be recognized as an increase in the net pension asset until the following measurement date (June 30, 2017), which will be used to report the net pension liability in the next fiscal year.	1,217,586
Other postemployment benefits (OPEB) liabilities result from the cumulative excess of required contribution over actual contributions to the OPEB funds. These liabilities are included in the statement of net position.	(333,495)
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.	(964,356)
Change in net position of governmental activities	\$ 3,692,738

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, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local taxes:				
County property tax:				
Current property tax	\$ 6,463,364	\$ 6,468,364	\$ 6,538,094	\$ 69,730
Trustee's collection - prior yrs.	258,689	258,689	121,999	(136,690)
Circuit clerk collection prior yrs.	82,213	82,213	80,523	(1,690)
Payments in lieu of taxes	138,734	138,734	111,834	(26,900)
Local option sales tax	2,500,000	2,500,000	2,763,464	263,464
Wheel tax	-	400,000	609,722	209,722
Other local tax:				-
Mixed drink tax	28,000	28,000	37,628	9,628
Total local taxes	9,471,000	9,876,000	10,263,264	387,264
Federal government:				
Public Law 874 -				
Maintenance & Operation	-	-	110,723	110,723
ROTC reimbursement	96,886	96,886	99,861	2,975
Other federal revenue:				
E-rate funding	272,416	272,416	215,936	(56,480)
Total federal government	369,302	369,302	426,520	57,218
State of Tennessee:				
Regular education funds:				
Basic education program	12,182,000	12,622,000	12,622,000	-
Early childhood education	267,844	267,844	267,844	-
Other state education funds	-	-	6,820	6,820
Coordinated school health	80,000	80,000	79,794	(206)
Career ladder program	34,400	34,400	33,922	(478)
Special education grant to state	13,053	49,627	36,575	(13,052)
Other state revenue:				-
Safe school grant	13,680	13,330	13,330	-
Other state revenues	29,612	29,612	34,864	5,252
Total state of Tennessee	12,620,589	13,096,813	13,095,149	(1,664)
Other local revenue:				
Other local revenue	230,219	230,219	230,219	-
Total other local revenue	230,219	230,219	230,219	-
General contributions:				
From Shelby County Government	-	-	44,018	44,018
From City of Millington	500,000	500,000	500,000	-
Total general contributions	500,000	500,000	544,018	44,018

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, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other revenue:				
Recurring items:				
Investment income	2,500	2,500	3,296	796
Lease/rentals	8,500	8,500	13,728	5,228
Sale of material & supplies	-	-	1,066	1,066
Miscellaneous refunds	-	-	2,566	2,566
Nonrecurring items:				-
Damages recovered from individuals	-	-	3,007	3,007
Contributions and gifts	-	-	59	59
Other - Donations	-	-	6,163	6,163
Insurance recovery	-	-	12,632	12,632
Other local revenue	214,960	214,960	214,960	-
Total other revenue	<u>225,960</u>	<u>225,960</u>	<u>257,477</u>	<u>31,517</u>
Total revenue	<u>\$ 23,417,070</u>	<u>\$ 24,298,294</u>	<u>\$ 24,816,647</u>	<u>\$ 518,353</u>
Expenditures:				
Instruction:				
Regular instruction:				
Teachers	\$ 7,243,767	\$ 6,994,518	\$ 6,941,169	\$ 53,349
Career ladder program	20,000	20,000	20,000	-
Educational assistant	56,294	52,271	52,271	-
Other salaries & wages	160,000	134,700	133,372	1,328
Social security	463,765	449,446	416,435	33,011
State retirement	675,140	654,265	642,899	11,366
Life insurance	29,930	28,983	20,736	8,247
Medical insurance	631,475	633,507	624,422	9,085
Employer medicare	108,461	105,113	97,392	7,721
Maintenance & repair equipment	2,200	3,725	2,075	1,650
Contracts for substitutes certified	225,000	225,000	131,400	93,600
Contracts for substitutes non-certified	-	4,000	132	3,868
Other contracted services	2,500	2,500	-	2,500
Instructional supplies & materials	120,870	119,345	77,556	41,789
Textbooks	203,000	90,803	90,449	354
Other supplies & materials	15,000	15,000	3,598	11,402
Fee waiver	20,000	20,000	-	20,000
Other charges	34,800	46,530	38,477	8,053
Regular instruction equipment	197,655	569,120	553,508	15,612
Total regular instruction	<u>10,209,857</u>	<u>10,168,826</u>	<u>9,845,891</u>	<u>322,935</u>

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Alternative school:				
Teacher	63,314	63,314	63,314	-
Homebound teacher	15,000	15,000	3,263	11,737
Education assistant	22,383	22,285	21,016	1,269
Social security	6,243	6,237	4,486	1,751
State retirement	9,078	9,070	7,688	1,382
Life insurance	413	412	258	154
Medical insurance	12,050	20,479	19,747	732
Employer medicare	1,460	1,459	1,049	410
Contracts for substitutes certified	-	1,287	1,287	-
Contracts for substitutes non-certified	-	2,000	1,727	273
Other contracted services	15,000	14,770	5,773	8,997
Instructional supplies & materials	500	443	391	52
Total alternative school	145,441	156,756	129,999	26,757
Special education program:				
Teacher	831,321	872,312	826,398	45,914
Career ladder program	1,000	-	-	-
Homebound teacher	-	3,000	-	3,000
Ed assistant salary	233,120	231,349	229,603	1,746
Other salaries & wages	7,000	4,000	1,280	2,720
Social security	66,492	68,441	58,651	9,790
State retirement	96,692	99,444	95,250	4,194
Life insurance	4,364	4,612	3,189	1,423
Medical insurance	124,257	155,522	154,422	1,100
Employer medicare	15,551	16,430	13,717	2,713
Maintenance & repair equipment	1,100	1,100	478	622
Contracts for substitutes certified	2,574	18,326	17,492	834
Contracts for substitutes non-certified	1,394	1,657	1,513	144
Other contracted services	159,000	170,836	170,836	-
Instructional supplies & materials	4,766	4,766	3,523	1,243
Other supplies & materials	1,500	1,000	511	489
Total special education	1,550,131	1,652,795	1,576,863	75,932
Vocational education:				
Teacher	831,693	778,671	777,086	1,585
Social security	51,565	46,936	46,349	587
State retirement	75,185	70,636	70,232	404
Life insurance	3,410	2,396	2,254	142
Medical insurance	23,242	46,705	46,705	-
Employer medicare	12,060	11,304	10,839	465
Contracts for substitutes certified	-	11,993	11,993	-
Instructional supplies & materials	3,200	4,028	3,951	77
Textbooks	3,000	2,172	2,172	-

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other supplies & materials	3,000	3,000	3,000	-
Fee waiver	500	500	-	500
Total vocational education	1,006,855	978,341	974,581	3,760
 Total instructional	 12,912,284	 12,956,718	 12,527,334	 429,384
Support services:				
Health services:				
Other salaries & wages	55,047	55,047	55,047	-
Social security	3,413	3,417	3,412	5
State retirement	4,916	4,955	4,955	-
Life insurance	226	167	167	-
Employer medicare	798	798	798	-
Travel	1,500	2,047	1,877	170
Other contracted services	154,350	154,620	154,613	7
Other supplies & materials	5,000	6,000	5,982	18
In-service/staff development	5,000	-	-	-
Other charges	4,318	5,064	560	4,504
Health equipment	5,116	8,569	8,552	17
Total health care services	239,684	240,684	235,963	4,721
Other student support:				
Guidance personnel	423,118	423,118	423,118	-
Social worker	43,400	43,400	42,500	900
Social security	28,925	28,925	27,123	1,802
State retirement	42,125	42,125	42,075	50
Life insurance	1,913	1,913	1,403	510
Medical insurance	43,966	41,081	41,081	-
Employer medicare	6,765	6,765	6,343	422
Contracts with govt agencies safe schools	13,680	13,330	13,330	-
Travel	1,000	12,100	11,981	119
Other supplies & materials	2,420	2,320	141	2,179
In-service/staff development	500	500	151	349
Total other student support	607,812	615,577	609,246	6,331
Regular instructional support:				
Supervisor	199,000	199,000	198,138	862
Career ladder program	5,400	9,100	9,000	100
Librarian(s)	263,242	263,242	263,242	-
Social security	28,994	27,598	24,922	2,676
State retirement	42,112	43,054	42,252	802
Life insurance	1,424	2,039	1,435	604
Medical insurance	39,303	44,440	44,115	325
Employer medicare	6,781	7,390	6,370	1,020

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Travel	3,500	3,500	3,472	28
Contracts for substitutes certified	-	4,000	1,404	2,596
Other contracted services	228,874	255,320	160,029	95,291
Library books/media	18,000	18,000	17,755	245
Periodicals	5,000	5,000	2,918	2,082
Other supplies & materials	25,000	25,000	790	24,210
In-service/staff development	3,500	3,500	1,728	1,772
Other charges	25,000	25,000	20,484	4,516
Total regular instructional support	895,130	935,183	798,054	137,129
Alternative education support:				
Supervisor	47,000	47,000	47,000	-
Social security	2,914	2,914	2,606	308
State retirement	4,249	4,249	4,249	-
Life insurance	193	193	139	54
Medical insurance	5,657	6,031	6,031	-
Employer medicare	682	682	609	73
Travel	1,500	1,448	1,023	425
Other supplies & materials	500	500	-	500
In-service/staff development	500	552	552	-
Total alternative education support	63,195	63,569	62,209	1,360
Special education support:				
Supervisor	47,000	47,000	47,000	-
Psychological personnel	71,024	71,024	70,624	400
Secretary(s)	18,500	18,500	18,175	325
Clerical personnel	122,156	122,156	121,720	436
Social security	16,038	16,038	13,133	2,905
State retirement	21,500	21,500	21,448	52
Life insurance	985	985	722	263
Medical insurance	28,567	28,346	28,346	-
Employer medicare	3,751	3,751	3,461	290
Postal charges	300	300	107	193
Travel	3,500	3,500	1,636	1,864
Other contracted services	67,770	87,770	71,106	16,664
Other supplies & materials	3,000	3,000	1,854	1,146
In-service/staff development	5,000	4,958	2,993	1,965
Other equipment	5,000	6,616	6,616	-
Total special education support	414,091	435,444	408,941	26,503
Vocational educational support:				
Contracts with other school systems	10,662	10,980	10,980	-
Total vocational education support	10,662	10,980	10,980	-

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Technology:				
Supervisor	85,000	85,000	85,000	-
Computer programmer	94,000	105,000	104,241	759
Social security	11,098	12,648	10,652	1,996
State retirement	16,078	18,311	16,960	1,351
Life insurance	734	837	556	281
Medical insurance	22,484	23,803	23,803	-
Employer medicare	2,596	2,958	2,491	467
Consultants	4,800	4,800	-	4,800
Maintenance & repair equipment	16,078	16,078	14,679	1,399
Internet connectivity	262,740	262,740	219,397	43,343
Travel	2,500	2,500	789	1,711
Other contracted services	5,314	17,814	17,731	83
Office supplies	1,000	-	-	-
Cabling	5,000	5,000	5,000	-
Software	63,000	63,000	50,343	12,657
Other supplies & materials	5,000	6,000	5,969	31
In-service/staff development	2,000	2,000	670	1,330
Data processing equipment	35,000	35,000	29,089	5,911
Other equipment	15,000	15,000	13,282	1,718
Total technology	649,422	678,489	600,652	77,837
Board of education:				
Board and committee members	23,400	24,400	24,400	-
Social security	1,451	1,513	1,513	-
State retirement	2,090	1,090	867	223
Retiree life insurance	-	615	297	318
Retiree health insurance	10,042	10,933	10,933	-
Employer medicare	339	354	354	-
OPEB contribution	200,000	200,000	200,000	-
Audit services	41,000	43,000	42,700	300
Dues & membership	8,000	8,000	5,372	2,628
Legal services	50,000	46,493	23,185	23,308
Travel	8,000	8,000	5,200	2,800
Other contracted services	10,000	10,000	8,000	2,000
Other supplies & materials	500	500	474	26
Liability insurance	26,000	26,000	20,319	5,681
Workmen's compensation insurance	72,000	72,000	68,336	3,664
In-service/staff development	6,000	6,000	1,393	4,607
Total board of education	458,822	458,898	413,343	45,555

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Office of the director of schools:				
Director of schools	124,500	137,817	137,817	-
Secretary(s)	50,500	45,500	41,394	4,106
Clerical personnel	35,500	30,500	29,523	977
Social security	13,051	13,826	11,777	2,049
State retirement	18,935	20,065	18,823	1,242
Life insurance	863	914	651	263
Medical insurance	29,224	28,199	27,223	976
Dental insurance	-	885	885	-
Employer medicare	3,052	3,234	2,961	273
Other fringe benefits	4,800	4,800	4,800	-
Dues & membership	4,320	4,320	2,357	1,963
Postal charges	2,000	2,000	1,949	51
Travel	4,000	4,000	2,092	1,908
Other contracted services	9,097	21,927	21,918	9
Office supplies	8,000	7,670	5,941	1,729
Other supplies & materials	500	500	-	500
In-service/staff development	1,000	1,000	585	415
Other charges	4,000	4,000	3,345	655
Administrative equipment	3,000	3,000	-	3,000
Total office of director of schools	316,342	334,157	314,041	20,116
Office of principal:				
Principal(s)	419,807	419,807	419,807	-
Career ladder program	7,000	7,000	7,000	-
Assistant principal(s)	503,089	503,089	503,088	1
Secretary(s)	161,924	161,924	163,420	(1,496)
Clerical personnel	299,707	293,707	292,956	751
Other salaries & wages	48,599	48,599	48,283	316
Social security	89,288	87,288	82,934	4,354
State retirement	129,680	129,680	129,261	419
Life insurance	5,876	5,876	4,283	1,593
Medical insurance	136,666	140,257	140,036	221
Employer medicare	20,882	20,882	19,396	1,486
Dues & memberships	1,214	1,214	1,010	204
Maintenance & repair equipment	200	200	200	-
Postal charges	3,045	3,045	2,946	99
Travel	500	500	-	500
Other contracted services	84	259	149	110
Office supplies	10,500	10,325	8,295	2,030
Other supplies & materials	250	250	162	88
Administrative equipment	8,750	8,750	5,718	3,032
Total office of principal	1,847,061	1,842,652	1,828,944	13,708

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, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fiscal services:				
Supervisor	77,500	77,500	77,500	-
Bookkeeper(s)	52,500	78,255	78,100	155
Purchasing personnel	42,000	55,107	54,807	300
Social security	10,664	13,640	12,425	1,215
State retirement	15,360	19,647	18,685	962
Life insurance	705	902	576	326
Medical insurance	19,462	24,608	21,012	3,596
Employer medicare	2,494	3,190	2,906	284
Dues & membership	150	150	100	50
Travel	3,000	3,400	2,435	965
Other contracted services	50,975	143,555	143,371	184
Office supplies	400	1,000	794	206
Other supplies & materials	1,600	1,700	1,655	45
In-service/staff development	1,600	1,600	1,538	62
Total fiscal services	278,410	424,254	415,904	8,350
Human services:				
Supervisor	70,500	70,500	67,529	2,971
Clerical personnel	84,000	84,816	84,815	1
Social security	9,579	9,580	8,352	1,228
State retirement	13,797	13,798	13,558	240
Life insurance	633	634	467	167
Medical insurance	20,534	20,387	20,387	-
Unemployment compensation	10,000	10,000	-	10,000
Employer medicare	2,240	2,240	1,953	287
Advertising	800	800	733	67
Dues & memberships	340	340	300	40
Travel	1,500	2,760	2,759	1
Other contracted services	52,985	52,985	47,369	5,616
Office supplies	6,000	5,740	3,855	1,885
In-service/Staff development	3,000	2,000	699	1,301
Other charges	800	800	111	689
Total human services	276,708	277,380	252,887	24,493
Plant operations:				
Supervisor	70,000	70,000	70,000	-
Secretary(s)	-	11,000	10,086	914
Plant Manager(s)	207,300	208,882	210,460	(1,578)
Social security	17,192	18,432	17,006	1,426
State retirement	24,763	26,550	25,617	933
Life insurance	1,137	1,219	822	397
Medical insurance	25,636	25,301	25,301	-
Employer medicare	4,022	4,312	3,977	335

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Janitorial services	500,000	488,556	488,556	-
Travel	2,000	2,911	2,741	170
Other contracted services	28,000	28,000	27,183	817
Custodial supplies	1,600	1,600	578	1,022
Electricity	714,062	654,062	579,641	74,421
Water & Sewer	25,000	40,000	35,956	4,044
Other supplies & materials	500	500	33	467
Building & content insurance	79,000	94,387	94,387	-
In-service/staff development	400	400	362	38
Plant operation equipment	5,000	2,375	1,905	470
Total plant operations	1,705,612	1,678,487	1,594,611	83,876
Plant maintenance:				
Maintenance personnel	88,500	88,500	80,904	7,596
Social security	5,487	5,487	4,834	653
State retirement	7,903	7,503	4,465	3,038
Life insurance	363	363	150	213
Medical insurance	8,500	8,500	4,571	3,929
Employer Medicare	1,283	1,283	1,131	152
Maintenance & repair - buildings	100,000	100,000	98,142	1,858
Maintenance & repair - equipment	50,000	50,000	45,805	4,195
Maintenance & repair - vehicle	200	600	401	199
Other contracted services	53,160	52,842	41,582	11,260
Equipment & machinery parts	7,000	7,000	5,999	1,001
Gasoline	2,000	2,800	2,381	419
Other supplies & material	2,000	2,000	1,421	579
Vehicle & equip insurance	400	400	-	400
Other charges	500	500	485	15
Administrative equipment	1,000	1,000	577	423
Maintenance equipment	5,000	3,289	482	2,807
Total plant maintenance	333,296	332,067	293,330	38,737
Pupil transportation:				
Contracts other school systems	28,000	28,000	24,142	3,858
Contracts with private agencies	1,200,000	1,103,032	1,000,585	102,447
Diesel fuel	110,000	110,000	78,728	31,272
Total pupil transportation	1,338,000	1,241,032	1,103,455	137,577
Central & Other				
Supervisor	-	-	2,400	(2,400)
Computer programmer	-	-	1,800	(1,800)
Social security	-	-	232	(232)
Employer medicare	-	-	54	(54)
Communications	82,260	82,260	66,870	15,390

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Maintenance & repair - equipment	1,000	1,000	859	141
Other charges	1,000	1,000	397	603
Administrative equipment	10,000	10,000	9,990	10
Data processing equipment	10,000	10,716	10,716	-
Other equipment	10,000	10,000	9,988	12
Total central & other	114,260	114,976	103,306	11,670
 Total support services	 9,548,507	 9,683,829	 9,045,866	 637,963
Non-instructional:				
Early childhood education:				
Teachers	233,572	231,120	231,120	-
Educational assistant(s)	74,214	74,868	74,868	-
Other salaries & wages	1,000	6,565	6,565	-
Social security	18,460	18,731	17,971	760
State retirement	27,346	27,624	27,624	-
Life insurance	1,249	1,165	905	260
Medical insurance	12,600	21,844	22,499	(655)
Employer medicare	4,447	4,468	4,291	177
Evaluation & testing	2,000	-	-	-
Contracted substitutes certified	2,340	5,190	5,149	41
Contracted substitutes non-certified	-	2,522	2,508	14
Other contracted services	101,760	101,760	101,760	-
Instructional supplies & materials	21,072	15,865	15,865	-
Other supplies & materials	1,000	4,300	4,300	-
In-service/staff development	2,000	1,064	1,064	-
Other charges	1,000	56	56	-
Regular Instructional equipment	1,000	-	-	-
Total early childhood education	505,060	517,142	516,545	597
 Total non-instructional	 505,060	 517,142	 516,545	 597
Capital outlay	-	234,510	20,902	213,608
 Total expenditures before debt service	 22,965,851	 23,392,199	 22,110,647	 1,281,552
Debt service:				
Principal on note	230,219	230,219	230,219	-
Interest on loan	-	24,000	-	24,000
Total debt service	230,219	254,219	230,219	24,000
 Total expenditures	 23,196,070	 23,646,418	 22,340,866	 1,305,552

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, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other financial sources (uses):				
Transfer from other funds	29,000	98,124	93,252	(4,872)
Transfer to other funds	(250,000)	(1,950,000)	(1,950,000)	-
Total other financing uses	<u>(221,000)</u>	<u>(1,851,876)</u>	<u>(1,856,748)</u>	<u>(4,872)</u>
Appropriated fund balance	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Total expenditures & other uses	<u>23,417,070</u>	<u>24,298,294</u>	<u>24,197,614</u>	<u>100,680</u>
Revenue over expenditures & other	<u>\$ -</u>	<u>\$ -</u>	<u>619,033</u>	<u>\$ 417,673</u>
Fund balance, at July,1, 2016			<u>4,372,366</u>	
Fund balance, at June 30, 2017			<u>\$ 4,991,399</u>	

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, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal funds:				
Title I, part A	\$ 1,296,434	\$ 1,412,774	\$ 1,285,130	\$ (127,644)
IDEA special ed grants to states	641,683	673,903	616,459	(57,444)
IDEA pre-K	7,282	9,220	6,238	(2,982)
IDEA discretionary	13,128	29,767	21,572	(8,195)
IDEA discretionary supplement	8,121	8,298	4,048	(4,250)
Title II part A	102,463	161,297	126,111	(35,186)
Consolidated admin	20,690	20,690	18,506	(2,184)
Pre-school development	223,363	235,315	229,492	(5,823)
Read to be ready (summer)	-	46,581	46,308	(273)
Read to be ready (coaching)	-	5,000	4,988	(12)
Total revenue	<u>2,313,164</u>	<u>2,602,845</u>	<u>2,358,852</u>	<u>(243,993)</u>
Expenditures:				
Instruction:				
Title I:				
Teachers	387,171	382,515	373,647	8,868
Education assistant(s)	38,100	35,600	32,380	3,220
Social security	26,367	24,486	18,307	6,179
State retirement	34,630	34,166	29,976	4,190
Life insurance	1,586	1,545	1,005	540
Medical insurance	36,330	24,406	25,580	(1,174)
Employer medicare	6,166	7,236	5,659	1,577
Contracts with other systems	14,512	16,992	13,111	3,881
Contracts for substitutes, certified	12,561	12,561	7,137	5,424
Other contracted services	65,949	71,062	52,332	18,730
Instructional supplies & materials	51,083	62,259	37,306	24,953
Other supplies & materials	20,654	18,342	8,472	9,870
Other charges	-	5,526	-	5,526
Regular instruction equipment	115,585	173,944	170,374	3,570
Total title I	<u>810,694</u>	<u>870,640</u>	<u>775,286</u>	<u>95,354</u>
Title II:				
Teachers	46,900	46,900	45,413	1,487
Social security	2,908	2,908	2,670	238
State retirement	3,818	4,240	4,087	153
Life insurance	192	192	137	55
Medical insurance	11,315	12,063	4,571	7,492
Employer medicare	680	680	625	55
Contracts for substitutes, certified	585	1,170	468	702
Total title II	<u>66,398</u>	<u>68,153</u>	<u>57,971</u>	<u>10,182</u>

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
IDEA special education:				
Teachers	231,524	232,524	231,525	999
Education assistant(s)	209,096	209,096	184,566	24,530
Other salaries & wages	-	10,000	-	10,000
Social security	27,442	27,442	23,351	4,091
State retirement	38,131	38,131	36,017	2,114
Life insurance	1,815	1,815	1,185	630
Medical insurance	49,984	49,984	49,864	120
Employer medicare	6,418	6,418	5,461	957
Contracts for substitutes, certified	936	7,556	5,499	2,057
Contracts for substitutes, non-certified	1,853	4,233	4,233	-
Other contracted services	74,484	74,484	74,484	-
Instructional supplies and materials	-	5,000	-	5,000
Total special education	641,683	666,683	616,185	50,498
Read to be ready - summer program				
Supervisor	-	2,700	2,700	-
Teachers	-	20,250	20,025	225
Other salaries & wages	-	1,519	1,520	(1)
Social security	-	1,517	1,503	14
State retirement	-	2,212	2,186	26
Employer medicare	-	355	352	3
Instructional supplies and materials	-	9,230	9,229	1
Other charges	-	6,798	6,798	-
Total read to be ready - summer	-	44,581	44,313	268
Read to be ready - coaching				
Instructional supplies and materials	-	1,266	1,253	13
Total read to be ready - coaching	-	1,266	1,253	13
Total instructional	1,518,775	1,651,323	1,495,008	156,315
Support services:				
Title I:				
Other salaries & wages	359,858	348,876	334,072	14,804
Social security	22,311	21,630	17,785	3,845
State retirement	26,647	28,727	27,557	1,170
Life insurance	1,342	1,297	746	551
Medical insurance	4,729	4,756	4,756	-
Employer medicare	5,218	5,059	4,775	284
Library books	6,335	7,335	7,165	170

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other supplies & materials	-	19,039	18,873	166
In-service & staff development	19,000	22,036	18,856	3,180
Other charges	17,300	2,000	-	2,000
Total title I	462,740	460,755	434,585	26,170
 Title II:				
Other salaries and wages	5,100	51,000	44,300	6,700
Social security	316	3,162	2,711	451
State retirement	415	4,631	4,001	630
Employer medicare	74	740	634	106
Contracted substitutes, certified	1,755	4,914	-	4,914
In-service & staff development	21,501	22,413	11,894	10,519
Total title II	29,161	86,860	63,540	23,320
 Consolidated admin:				
Secretary(ies)	18,000	18,000	16,466	1,534
Social security	1,116	-	-	-
Employer medicare	261	261	246	15
Other supplies & materials	1,007	1,100	545	555
Total consolidated admin	20,384	19,361	17,257	2,104
 Read to be ready summer				
Food supplies	-	2,000	1,995	5
Total read to be ready summer	-	2,000	1,995	5
 Read to be ready - coaching				
Other salaries & wages	-	3,200	3,200	-
Social security	-	198	198	-
State retirement	-	289	289	-
Employer medicare	-	47	46	1
Total read to be ready - coaching	-	3,734	3,733	1
 IDEA discretionary:				
Other salaries & wages	11,250	10,615	10,331	284
Social security	698	659	570	89
State retirement	1,017	960	931	29
Employer medicare	163	163	133	30
Contracts with private agencies	-	17,370	9,607	7,763
Total IDEA discretionary	13,128	29,767	21,572	8,195

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
IDEA discretionary supplement:				
Other supplies & materials	2,121	2,298	2,298	-
In-service/staff development	6,000	6,000	1,750	4,250
Total IDEA discretionary supplement	8,121	8,298	4,048	4,250
IDEA special education:				
Contracts with private agencies	-	7,220	274	6,946
Total idea special education	-	7,220	274	6,946
Total support services	533,534	617,995	547,004	70,991
Non-instructional:				
IDEA pre-k:				
Contracts for substitutes certified	585	585	-	585
Other contracted services	-	606	-	606
Instructional supplies & materials	2,000	3,560	1,837	1,723
In-service/staff development	2,079	1,079	1,079	-
Special education equipment	2,618	3,390	3,322	68
Total IDEA pre-k	7,282	9,220	6,238	2,982
Pre-school development:				
Supervisor/director	25,000	25,000	25,000	-
Teachers	86,713	57,113	57,113	-
Clerical personnel	2,065	2,065	2,025	40
Educational assistant(s)	20,694	17,760	17,245	515
Other salaries & wages	-	27,600	25,690	1,910
Social security	8,337	6,192	5,465	727
State retirement	11,947	9,008	9,008	-
Life insurance	551	227	227	-
Medical insurance	16,450	11,740	11,740	-
Employer medicare	1,950	1,878	1,690	188
Travel	-	208	208	-
Contracts for substitutes, certified	5,000	5,665	5,335	330
Contracts for substitutes, non-certified	1,000	2,500	2,171	329
Other contracted services	25,000	25,440	25,440	-
Instructional supplies & materials	9,687	14,693	13,228	1,465
Textbooks	-	4,500	4,500	-
Other supplies & materials	200	3,500	3,182	318

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, 2017

(Continued)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
In-service/staff development	4,000	7,215	7,215	-
Other charges	1,000	868	868	-
Total pre-school development	219,594	223,172	217,350	5,822
Total non-instructional	226,876	232,392	223,588	8,804
Total expenditures	2,279,185	2,501,710	2,265,600	236,110
Other financing uses:				
Indirect cost consolidated admin	(306)	(1,329)	(1,249)	(80)
Indirect cost title I	(23,000)	(81,379)	(75,260)	(6,119)
Indirect cost title II	(6,904)	(6,284)	(4,600)	(1,684)
Indirect cost pre-school development	(3,769)	(12,143)	(12,143)	-
Total other financing uses:	(33,979)	(101,135)	(93,252)	(7,883)
Total expenditures and other uses	2,313,164	2,602,845	2,358,852	243,993
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, at July 1, 2016			<u>-</u>	
Fund balance, at June 30, 2017			<u>\$ -</u>	

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Cafeteria Fund
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:				
USDA:				
Federal government revenue	\$ 1,342,091	\$ 1,342,091	\$ 1,403,959	\$ 61,868
USDA commodities	74,471	136,471	136,342	(129)
USDA - other	-	66,333	70,876	4,543
Total USDA	<u>1,416,562</u>	<u>1,544,895</u>	<u>1,611,177</u>	<u>66,282</u>
Charges for services:				
Lunch payments-adults	23,500	23,500	27,162	3,662
Ala Carte	<u>59,500</u>	<u>59,500</u>	<u>59,658</u>	<u>158</u>
Total charges for services	<u>83,000</u>	<u>83,000</u>	<u>86,820</u>	<u>3,820</u>
State:				
State matching funds-national lunch program	<u>27,610</u>	<u>27,610</u>	<u>15,569</u>	<u>(12,041)</u>
Total state	<u>27,610</u>	<u>27,610</u>	<u>15,569</u>	<u>(12,041)</u>
Other revenue:				
Contributions and gifts	-	-	270	270
Other sources	<u>50</u>	<u>50</u>	<u>109</u>	<u>59</u>
Total other revenue	<u>50</u>	<u>50</u>	<u>379</u>	<u>329</u>
Total revenue	<u>1,527,222</u>	<u>1,655,555</u>	<u>1,713,945</u>	<u>58,390</u>
Expenditures:				
Supervisor	40,000	40,000	40,927	(927)
Nutrition employees	510,930	502,459	478,503	23,956
Social security	34,159	34,334	29,013	5,321
State retirement	29,503	29,503	29,477	26
Life insurance	1,355	1,355	994	361
Medical insurance	72,669	72,669	74,158	(1,489)
Employer medicare	7,989	8,030	6,785	1,245
Maintenance & repair equipment	-	3,400	2,984	416
Other contracted services	35,000	44,200	35,407	8,793
Food supplies	652,146	697,404	666,469	30,935
Other supplies & materials	65,000	71,308	67,560	3,748
In-service/staff development	-	4,000	3,143	857
Food service equipment	4,000	10,422	9,568	854
USDA commodities	<u>74,471</u>	<u>136,471</u>	<u>136,342</u>	<u>129</u>
Total expenditures	<u>1,527,222</u>	<u>1,655,555</u>	<u>1,581,330</u>	<u>74,225</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>132,615</u>	<u>\$ 132,615</u>
Fund balance, at July 1, 2016			<u>219,573</u>	
Fund balance, at June 30, 2017			<u>\$ 352,188</u>	

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Fiduciary Net Position – OPEB
June 30, 2017

ASSETS

Cash and cash equivalents	\$	3,642
Investments:		
Fixed income		92,600
Domestic equities		108,987
International equities		44,479
Emerging equities		<u>10,405</u>
Total investments		256,471
Total assets		260,113

NET POSITION

Restricted		<u>260,113</u>
Total net position restricted for post employment benefits other than pensions	\$	<u><u>260,113</u></u>

Millington Municipal Schools Board of Education
Statement of Changes in Fiduciary Net Position – OPEB
Year Ended June 30, 2017

Additions

Employer contributions	\$ 209,913
Investment income:	
Net increase in fair value of investment	7,313
Interest and dividends	<u>3,383</u>
Total investment income	10,696
Total additions	<u>220,609</u>

Deductions

Benefit payments	10,042
Administrative expense	<u>454</u>
Total deductions	<u>10,496</u>
Change in net position	210,113
Net position restricted for post employment benefits other than pensions:	
Beginning of year	<u>50,000</u>
End of year	<u><u>\$ 260,113</u></u>

Millington Municipal Schools Board of Education
Statement of Changes in Assets and Liabilities – Student Activity Fund
Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash	\$ 264,897	\$ 551,593	\$ (512,329)	\$ 304,161
Inventory	3,918	1,910	-	5,828
Total assets	<u>\$ 268,815</u>	<u>\$ 553,503</u>	<u>\$ (512,329)</u>	<u>\$ 309,989</u>
LIABILITIES				
Due to student general fund	\$ 147,701	\$ 129,692	\$ (106,634)	\$ 170,759
Due to student groups	121,114	423,811	(405,695)	139,230
Total liabilities	<u>\$ 268,815</u>	<u>\$ 553,503</u>	<u>\$ (512,329)</u>	<u>\$ 309,989</u>

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, the School's student activity funds are an agency fund of the City, and the School's other postemployment benefits (OPEB) trust fund is a trust 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.

Millington Municipal Schools Board of Education

Notes to Financial Statements

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

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.

Trust fund – The trust fund accounts for the activity of the school's OPEB activities.

(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 and fiduciary funds 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 and OPEB 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 fiduciary funds 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) – Investments

The School's fiduciary fund investments are held by a third party trust in the name of the School. Investments are reported at fair value. The investment portfolio is managed to maintain the preservation of the principal of those funds within the portfolio and to maximize the return on investments while remaining within prudent financial management. Additionally, the School utilizes an advisor to select appropriate investment choices.

(G) – Fair Value Measurements

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

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the School's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

(H) – 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.

(I) – 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.

(J) – 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

Millington Municipal Schools Board of Education
Notes to Financial Statements

(K) – 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.

(L) – 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.

(M) – 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.

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.

Millington Municipal Schools Board of Education

Notes to Financial Statements

(N) – 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.

(O) – 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.

(P) – Change in accounting principles

The School implemented Governmental Accounting Standards Board (“GASB”) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in the fiscal year ending June 30, 2017. The implementation of the Statement modified note disclosures related to the School’s OPEB plan and added additional required supplementary information schedules. In implementing this standard, the School determined that the fiduciary net position related to the OPEB should also be included in the financial statements.

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 yearend, cash per bank was \$7,531,304 before reconciliation to the carrying amount of \$6,860,393 on the balance sheet for governmental funds. The student activity fund also had cash per bank of \$307,316 before reconciliation to the carrying amount of \$304,161 on the balance sheet at year end.

Millington Municipal Schools Board of Education
Notes to Financial Statements

3. Investments

Fiduciary Investments

Disclosures concerning the investments held by the trust that are reported at fair value are presented below. Fair value has been determined based on the School's assessment of available market information and appropriate valuation methodologies. The following table summarizes fair value disclosures and measurements at June 30, 2017:

		Fair Value Measurements at Reporting Date Using		
		Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments				
Mutual funds:				
Fixed income	\$ 92,600	\$ 92,600	\$ -	\$ -
Domestic equities	108,987	108,987	-	-
International equities	44,479	44,479	-	-
Emerging equities	10,405	10,405	\$ -	\$ -
	<u>\$ 256,471</u>	<u>\$ 256,471</u>	<u>\$ -</u>	<u>\$ -</u>

Prices for investment securities such as mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

4. Surety Bonds

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

5. Interfund Transfers

During the year ended June 30, 2017, the City transferred \$500,000 and the Shelby County Government transferred \$44,018 to the general purpose fund to be used for general operations.

The School's general purpose fund also transferred \$1,950,000 to the capital projects fund and the federal projects fund transferred \$93,252 to the general purpose fund during fiscal year 2017.

Millington Municipal Schools Board of Education
Notes to Financial Statements

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as followed:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 815,000	\$ -	\$ -	\$ -	\$ 815,000
Construction in progress	<u>2,181,869</u>	<u>765,745</u>	<u>-</u>	<u>(2,181,869)</u>	<u>765,745</u>
Total capital assets not being depreciated	<u>2,996,869</u>	<u>765,745</u>	<u>-</u>	<u>(2,181,869)</u>	<u>1,580,745</u>
Other capital assets:					
Land Improvements	40,600	-	-	-	40,600
Buildings	44,853,403	430,722	-	4,348,636	49,632,761
Equipment	<u>393,655</u>	<u>39,938</u>	<u>-</u>	<u>-</u>	<u>433,593</u>
Total other capital assets at historical cost	<u>45,287,658</u>	<u>470,660</u>	<u>-</u>	<u>4,348,636</u>	<u>50,106,954</u>
Less accumulated Depreciation for:					
Land Improvements	(1,692)	(812)	-	-	(2,504)
Buildings	(1,903,243)	(1,109,196)	-	(723,947)	(3,736,386)
Equipment	<u>(35,339)</u>	<u>(27,320)</u>	<u>-</u>	<u>-</u>	<u>(62,569)</u>
Total accumulated depreciation	<u>(1,940,274)</u>	<u>(1,137,328)</u>	<u>-</u>	<u>(723,947)</u>	<u>(3,801,549)</u>
Other capital assets, net	<u>43,347,384</u>	<u>(666,668)</u>	<u>-</u>	<u>1,442,820</u>	<u>46,305,405</u>
Governmental activities capital assets, net	<u>\$ 46,344,253</u>	<u>\$ 99,077</u>	<u>\$ -</u>	<u>\$ 1,442,820</u>	<u>\$ 47,886,150</u>

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.

During the fiscal year 2017, the City of Millington transferred buildings which were recorded at their net book value of \$1,442,820.

7. 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 TLLP 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.

Millington Municipal Schools Board of Education

Notes to Financial Statements

Political Subdivision Pension Plan (PSPP) – Certain administrative employees are included 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.

(U) – 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 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.

Millington Municipal Schools Board of Education
Notes to Financial Statements

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, 2017 to the Teacher Legacy Pension Plan were \$906,116, 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, 2017, Millington Municipal Schools reported a liability of \$1,747,388 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, Millington Municipal Schools' proportion was 0.279607 percent. The proportion measured as of June 30, 2015 was 0.244172 percent.

Pension Expense – For the year ended June 30, 2017, Millington Municipal Schools recognized a pension expense of \$782,008 related to the Teacher Legacy Pension Plan.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2017, 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	\$ 73,536	\$ 2,115,508
Net difference between projected and actual earnings on pension plan investments	1,950,982	-
Changes in proportion of Net Pension Liability (Asset)	2,358,069	-
LEA's contributions subsequent to the measurement date of June 30, 2016	<u>906,116</u>	<u>(not applicable)</u>
Total	<u>\$ 5,288,703</u>	<u>\$ 2,115,508</u>

Millington Municipal Schools' employer contributions of \$906,116 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Millington Municipal Schools Board of Education
Notes to Financial Statements

<u>Year Ended June 30,</u>	
2018	\$ 249,114
2019	249,114
2020	1,184,999
2021	667,957
2022	(84,104)
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, 2016 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, 2016 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>

Millington Municipal Schools Board of Education

Notes to Financial Statements

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:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Millington Municipal Schools' Proportionate share of the net Pension liability (asset)	\$ 9,595,207	\$ 1,747,388	\$ (4,753,392)

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 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

Millington Municipal Schools Board of Education
Notes to Financial Statements

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, 2017 to the Teacher Retirement Plan were \$81,222 which is 4.00 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, 2017, Millington Municipal Schools reported an asset of \$37,145 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, 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, 2016, Millington Municipal Schools' proportion was 0.356813 percent. The proportion measured as of June 30, 2015 was 0.469858 percent.

Pension Expense – For the year ended June 30, 2017, Millington Municipal Schools recognized pension expense of \$31,363.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2017, 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	\$ 3,599	\$ 4,283
Net difference between projected and actual earnings on pension plan investments	6,082	-
Changes in proportion of Net Pension Liability (Asset)	3,171	-
LEA's contributions subsequent to the measurement date of June 30, 2016	<u>81,222</u>	<u>(not applicable)</u>
Total	<u>\$ 94,074</u>	<u>\$ 4,283</u>

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Millington Municipal School's employer contributions of \$81,222, 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, 2018. 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,	
2018	\$ 1,768
2019	1,768
2020	1,768
2021	1,478
2022	175
Thereafter	1,613

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, 2016 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%
		100%

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)	\$ 17,541	\$ (37,145)	\$ (77,438)

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

401(k) Plan - The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are automatically enrolled, with opt-out feature, to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions.

(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

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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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>88</u>
	<u>95</u>

Contributions - Contributions are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees 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, 2017, the Actuarially Determined Contribution (ADC) for the Political Subdivision Pension Plan was \$230,248 based on a rate of 8.92 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. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of an unfunded liability.

The net pension liability (asset) was measured as of June 30, 2016, 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, 2016 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,

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	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, 2016 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.

Changes in the Net Pension Liability (Asset):

	<u>(a) Total Pension Liability</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) – (b) Net Pension Liability (Asset)</u>
Balance at 6/30/15	\$ 274,981	\$ 271,601	\$ 3,380
Changes for the year:			

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Service cost	261,184	-	261,184
Interest	40,083	-	40,083
Difference between expected and actual experience	27,715	-	27,715
Contributions- employer	-	196,318	(196,318)
Contributions- employees	-	101,788	(101,788)
Net investment income	-	11,056	(11,056)
Benefit payments, including refunds of employee contributions	(3,437)	(3,437)	-
Administrative expense	-	(6,604)	6,604
Other changes	-	-	-
Net changes	325,545	299,121	26,424
Balance at 6/30/16	<u>\$ 600,526</u>	<u>\$ 570,722</u>	<u>\$ 29,804</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)	\$ 139,862	\$ 29,804	\$ (58,987)

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

Pension Expense – For the year ended June 30, 2017, the Political Subdivision Pension Plan recognized pension expense of \$181,290.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2017, 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	\$ 24,636	\$ 13,330
Net difference between projected and actual earnings on pension plan investments	19,642	-
Contributions subsequent to the measurement date of June 30, 2016	<u>230,248</u>	<u>(not applicable)</u>
Total	<u>\$ 274,526</u>	<u>\$ 13,330</u>

The Political Subdivision Pension Plan contributions of \$230,248 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, 2017.

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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>	
2018	\$ 6,380
2019	6,380
2020	6,380
2021	5,198
2022	1,175
Thereafter	5,429

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

8. Post-employment Healthcare Benefits

Plan Description

Plan administration. On June 6, 2016, the Millington Municipal Schools Board of Education passed a resolution 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. The School administers the Millington Municipal Schools Retiree Benefits Plan ("MMSRBP")—a single employer defined benefit plan that is used to provide postemployment benefits other than pensions ("OPEB").

Management of the MMSRBP is vested in the TSBA Board of Trustees (TSBA Board), which consists of seven (7) members—five (5) appointed by the governing boards of the participating members of the Trust, and the Executive Director and President of the Tennessee School Board Association are an ex-officio members.

Employees who retire from the School and qualify for TCRS Service Retirement under the Tennessee Consolidated Retirement System may be eligible for post-retirement health benefits. Five (5) years of service must be with the School with allowances given to former employees Tennessee Public School Districts if employed by the School on August 8, 2014. New employees are not eligible for benefits if employed after January 1, 2017, unless they worked for another Tennessee public school district prior to January 1, 2017. The employee must be enrolled in a School health insurance plan for one (1) year immediately before the retirement date.

Plan membership. At June 30, 2016, participants consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>184</u>
	<u>185</u>

Benefits provided. The MMSRBP provides healthcare for retirees and their dependents. Benefits are provided through a third-party insurer, with 25% to 50% of benefits being covered by the plan up to age 65. A \$100 per month stipend is provided to the retiree only at post-65.

Benefits and premiums are set by the Board of Education. The Board is authorized to (1) add, change or end any coverage offered, (2) change or discontinue benefits, (3) establish premiums and (4) change the rules for eligibility

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at any time, for any reason.

Contributions. The School establishes contributions based on an actuarially determined rate. The School made a single contribution of \$50,000 in the year ending June 30, 2016. For the year ended June 30, 2017, the School contributed an additional amount of \$200,000. The amount contributed is based on an actuarial valuation and available funds for the year. For the year ended June 30, 2017, the School's average contribution rate was 2.2 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

Investments

Investment policy. TSBA OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. TSBA OPEB Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity investments	65%	35%
Fixed income investments	65%	20%
Cash and cash equivalents	35%	0%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the School

The components of the net OPEB liability of the School at June 30, 2017, were as follows:

Total OPEB liability	\$ 4,164,892
Plan fiduciary net position	<u>260,113</u>
Net OPEB liability	<u>\$ 3,904,779</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.2%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0%
Investment rate of return	4.25%
Healthcare cost trend rates	8% decreasing 1% per year to an ultimate 5% for 2022 and therefore after

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending June 30, 2016. The total OPEB liability was rolled forward to June 30, 2017 using update procedures that incorporated the actuarial assumptions.

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The long-term expected rate of return on OPEB plan investments was estimated to be 4.25% based on historical returns by asset class consistent with the investment policy.

Discount rate. The discount rate used to measure the total OPEB liability was 2.81 percent. The discount rate is a weighted rate based on the long term rate of return of 4.25 percent and a 2.8 percent rate for 20 year rate for tax-exempt general obligation AA municipal bonds. The discount date assumption has decreased from 4.25 percent to 2.81 percent.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (1.81%)</u>	<u>Discount Rate (2.81%)</u>	<u>1% Increase (3.81%)</u>
Net OPEB liability (asset)	\$ 4,497,557	\$ 3,904,779	\$ 3,354,616

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point than the current healthcare cost trend rates:

	<u>1% Decrease (7% decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (8% decreasing to 5%)</u>	<u>1% Increase (9% decreasing to 6%)</u>
Net OPEB liability	\$ 3,649,074	\$ 3,904,779	\$ 4,221,605

Employer Disclosures

Annual OPEB Cost and Net OPEB Obligation of the School

Annual OPEB cost and net OPEB obligation. The annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution (ARC)	\$ 374,584
Interest on net OPEB obligation	-
Amortization adjustment on net OPEB obligation	-
Annual OPEB cost	374,584
Contributions remitted for pay-go cost	(41,089)
Contributions remitted for pre-funding	-
Increase in net pension position	333,495
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 333,495</u>

Three-Year Trend Information

<u>Annual Pension Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 374,584	11%	\$ 333,495

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Funded status and funding progress. As of October 1, 2016, the most recent actuarial valuation date, the plan was 1.8 percent funded on a basis in alignment with GASB Statement No. 45. The actuarial accrued liability for benefits was \$2,852,106, and the actuarial value of assets was \$50,000, resulting in an unfunded actuarial accrued liability ("UAAL") of \$2,802,106. The covered payroll (annual payroll of active employees covered by the plan) was \$9,530,500, and the ratio of the UAAL to the covered payroll was 29.4 percent.

The schedule of funding progress, presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of future events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The required contribution rate was determined as part of the October 1, 2016, actuarial valuation using the projected unit credit with linear proration to decrement actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 4.25 percent a year (inclusive of 3.00 percent inflation) compounded annually and (b) mortality rates based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2015. The actuarial value of assets equals the fair market value of the net position held by the OPEB plan. The School's unfunded actuarially accrued liability is being amortized as a level dollar amount on a closed basis.

9. 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 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 2017, 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, 2017. School management is not aware of any threatened or active legal issues.

10. 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

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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 year 2017, the School made their third payment of \$230,219 and recognized interest expense of \$52,990 using an effective interest rate of 2.89%. As of June 30, 2017, the School has recorded a liability of \$1,822,400 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>	
2018	\$ 230,219
2019	230,219
2020	230,219
2021	230,219
2022	230,219
2023-2026	<u>920,876</u>
Total payments	2,071,971
Less amount representing interest	<u>(249,571)</u>
Net litigation settlement obligation	<u>\$ 1,822,400</u>

Required Supplementary Information

Millington Municipal Schools Board of Education
Schedules of Proportionate Share of Net Pension Asset – Teacher Legacy
Pension Plan of TCRS
Years Ended June 30,*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of net pension asset	0.279607%	0.244172%	0.000664%
Proportionate share of the net pension asset	\$ 1,747,388	\$ 100,021	\$ (108)
Covered-employee payroll	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Proportionate share of the net pension asset as a percentage of covered-employee payroll	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability	97.14%	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.

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Schedules of Contributions – Teacher Legacy Pension Plan of TCRS
Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 906,116	\$ 912,429	\$ 826,309	\$ 2,314
Contributions in relation to the contractually required contribution	<u>906,116</u>	<u>912,429</u>	<u>826,309</u>	<u>2,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 10,023,423	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered-employee payroll	9.04%	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 Board of Education
Schedule of Proportionate Share of Net Pension Liability (Asset) –
Teacher Retirement Plan of TCRS
Years Ended June 30,*

	<u>2017</u>	<u>2016</u>
Proportion of net pension liability (asset)	0.356813%	0.479760%
Proportionate share of the net pension liability (asset)	\$ (37,145)	\$ (19,301)
Covered-employee payroll	\$ 1,569,972	\$ 996,818
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-2.37%	-1.94%
Plan fiduciary net position as a percentatage of the total pension liability	121.88%	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 Board of Education
Schedules of Contributions – Teacher Retirement Plan of TCRS
Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 81,222	\$ 62,800	\$ 24,920
Contributions in relation to the contractually required contribution	<u>81,222</u>	<u>62,800</u>	<u>39,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,952)</u>
Covered-employee payroll	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Contributions as a percentage of covered-employee payroll	4.00%	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 Board of Education
Schedule of Changes in Net Pension Liability and Related Ratios – Based on
Participation in the Political Subdivision Pension Plan of TCRS
Years ending June 30,

	2016	2015
Total pension liability:		
Service cost	\$ 261,184	\$ 272,709
Interest	40,083	20,415
Changes in benefit terms	-	-
Differences between actual and expected experience	27,715	(17,138)
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(3,437)	(1,005)
Net change in total pension liability (asset)	325,545	274,981
Total pension liability-beginning	274,981	-
Total pension liability-ending (a)	<u>\$ 600,526</u>	<u>\$ 274,981</u>
Plan fiduciary net position:		
Contributions-employer	\$ 196,318	\$ 182,233
Contributions-employee	101,788	90,476
Net investment income	11,056	4,119
Benefit payments, including refunds of employee contributions	(3,437)	(1,005)
Administrative expense	(6,604)	(4,222)
Other	-	-
Net change in plan fiduciary net position	299,121	271,601
Plan fiduciary net position-beginning	271,601	-
Plan fiduciary net position-ending (b)	<u>\$ 570,722</u>	<u>\$ 271,601</u>
Net pension liability-ending (a)-(b)	<u>\$ 29,804</u>	<u>\$ 3,380</u>
Plan fiduciary net position as a percentage of the total pension liability	95.04%	98.77%
Covered-employee payroll	\$ 2,411,773	\$ 2,238,733
School's net pension liability as a percentage of covered-employee payroll	1.24%	0.15%

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

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

	2017	2016	2015
Actuarially determined contribution	\$ 230,248	\$ 196,318	\$ 182,233
Contributions in relation to the actuarially determined contribution	230,248	196,318	182,233
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
Contributions as a percentage of covered-employee payroll	8.92%	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 2017 were calculated based on the July 1, 2015 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%

Millington Municipal Schools Board of Education
Schedule of Changes in Net OPEB Liability and Related Ratios
Year ending June 30,

	2017
Total OPEB liability:	
Service cost	\$ 265,891
Interest	113,972
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes of assumptions	-
Benefit payments	<u>(10,042)</u>
Net change in total OPEB liability (asset)	369,821
Total OPEB liability-beginning	<u>3,795,071</u>
Total OPEB liability-ending (a)	<u><u>\$ 4,164,892</u></u>
Plan fiduciary net position:	
Contributions-employer	\$ 209,913
Net investment income	10,242
Benefit payments	(10,042)
Administrative expense	-
Other	<u>-</u>
Net change in plan fiduciary net position	210,113
Plan fiduciary net position-beginning	<u>50,000</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 260,113</u></u>
Net OPEB liability-ending (a)-(b)	<u><u>\$ 3,904,779</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.25%
Covered-employee payroll	\$ 9,530,500
Net OPEB liability as a percentage of covered-employee payroll	40.97%

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

Millington Municipal Schools Board of Education
Schedules of Contributions – OPEB
Years Ended June 30,

	<u>2017</u>
Actuarially determined contribution	\$ 374,078
Contributions in relation to the actuarially determined contribution	<u>209,913</u>
Contribution deficiency (excess)	<u>\$ 164,165</u>
Covered-employee payroll	\$ 9,530,500
Contributions as a percentage of covered-employee payroll	2.20%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age level of percentage of salary
Amortization method	Straight line (for deferred outflow)
Amortization period	8.93 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8% decreasing 1% per year to an ultimate 5% for 2022 and therefore after
Salary increases	3.0%
Investment rate of return	4.25%
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2014 Mortality Fully Generational using Projection Scale MP-2015

Millington Municipal Schools Board of Education
Schedule of Investment Returns – OPEB
Year ending June 30,

2017

Annual money-weighted rate of return, net of investment expense	10.02%
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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 Board of Education
Schedule of Funding Progress – OPEB
Year Ended June 30, 2017

Millington Municipal Schools Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
October 1, 2016	\$ 50,000	\$ 2,852,106	\$ 2,802,106	1.8%	\$ 9,530,500	29.4%

Millington Municipal Schools Board of Education
Schedule of Contributions – OPEB Plan
Years Ended June 30,

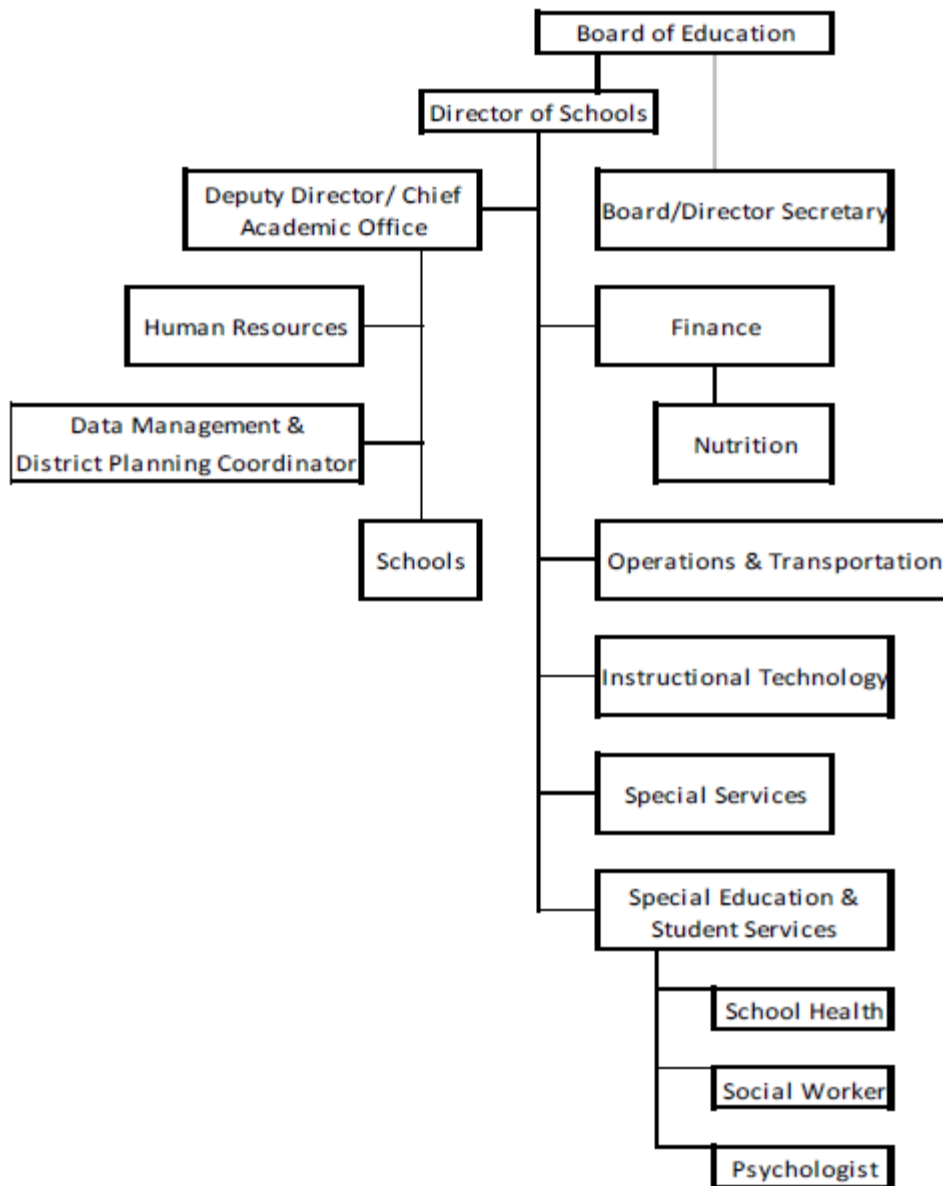
<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution as a Percentage of ARC</u>
June 30, 2017	\$ 374,584	11.00%

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, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Other statutory local taxes	\$ -	\$ -	\$ 423,540	\$ 423,540
USDA food service equipment grant	-	12,853	12,853	-
Bond issue	6,269,781	4,000,000	-	(4,000,000)
Total revenue	6,269,781	4,012,853	436,393	(3,576,460)
Expenditures:				
Architects	200,000	350,000	278,032	71,968
Consultants	-	2,548	2,548	-
Engineering services	400,000	400,000	354	399,646
Building construction	5,400,000	5,450,000	9,130	5,440,870
Building improvements	219,781	541,291	541,291	-
Food service equipment	-	12,854	12,854	-
Other capital outlay no location	300,000	606,161	594,687	11,474
Total expenditures	6,519,781	7,362,854	1,438,896	5,923,958
Other financing sources:				
Transfer from other fund	250,000	1,950,000	1,950,000	-
Planned use of fund balance	-	129,955	-	(129,955)
Total other financing sources	250,000	2,079,955	1,950,000	(129,955)
Appropriated fund balance	-	1,270,046	-	(1,270,046)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,497</u>	<u>\$ 947,497</u>
Fund balance, at July 1, 2016			<u>1,472,108</u>	
Fund balance, at June 30, 2017			<u>\$ 2,419,605</u>	

Millington Municipal Schools Board of Education
Organizational Chart
June 30, 2017



Millington Municipal Schools Board of Education
Roster of School Officials
June 30, 2017

Board of Education

<u>Title</u>	<u>Name</u>
Chairperson	Cody Childress
Vice Chairperson	Cecilia Haley
Board Member	Roger Christopher
Board Member	Mark Coulter
Board Member	Christopher Denson
Board Member	Larry Jackson
Board Member	Ronald Mackin

<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 Board of Education
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

(Continued)

Federal CFDA Number	Pass-through Entity Identifying Number or Contract Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster	Expenditures
<u>Federal Awards:</u>			
Direct Funding:			
		<u>U.S. Department of Defense Direct Program:</u>	
12.000		NJROTC Instruction	\$ 99,861
84.041.B		Public Law 874-Maintenance & Operations	110,723
			<u>210,584</u>
		Total U.S. Department of Defense Direct Program:	<u>210,584</u>
Pass Through Funding:			
		<u>U.S. Department of Agriculture Programs</u>	
		<u>Pass Through Tennessee Department of Education:</u>	
		Child Nutrition Cluster:	
10.553		School Breakfast Program	406,387
10.555		National School Lunch Program - Non Cash Assistance	98,996
10.555		National School Lunch Program - Cash Assistance	890,968
10.555		School Snack Program	<u>7,609</u>
		Total Child Nutrition Cluster	1,403,960
10.582		Fresh Fruits & Vegetables	66,221
10.555		USDA - Commodities	136,342
10.555		USDA-Other (Delivery Reimbursement)	4,654
10.579		Food Service Equipment Grant	12,853
		Total U.S. Department of Agriculture	<u>1,624,030</u>
		<u>U.S. Department of Education Programs</u>	
		<u>Pass Through Tennessee Department of Education:</u>	
84.010A	S010A160042	Title I Grants to Local Educational Agencies	1,285,130
84.010A	S010A160042	Consolidated Administration Pool	<u>16,100</u>
		Total Title I Grants to Local Educational Agencies	1,301,230
84.367A	S367A160040	Title II, Part A Improving Teacher Quality State Grants	126,111
84.367A	S367A160040	Consolidated Administration Pool	<u>2,406</u>
		Total Title II, Part A Improving Teacher Quality State Grants	128,517
84.419B	S419B150026-16B	Pre-School Expansion Grant	229,492

Millington Municipal Schools Board of Education
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

(Continued)

Federal CFDA Number	Pass-through Entity Identifying Number or Contract Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster	Expenditures
		Special Education Cluster (IDEA):	
84.027A	H027A160052	IDEA Part B	616,460
84.173A	H173A160095	IDEA PreSchool Incentive	6,238
84.027A	H027A160052	IDEA Discretionary	21,572
84.027A	H027A160052	IDEA Discretionary Supplement	4,048
		Total Special Education Cluster (IDEA)	648,318
		Read to Be Ready Grant:	
93.575	G1601TNCCDF	Read to Be Ready Summer Literacy Grant	46,308
93.575		Read to Be Ready Coaching	4,987
		Total Read to Be Ready Grants	51,295
		Total U.S. Department of Education	2,358,852
		Total Pass Through:	3,982,882
		Total Federal Awards	4,193,466
<u>State Awards:</u>			
		<u>Tennessee Department of Education:</u>	
		Basic Education Program	12,622,000
		Coordinated School Health	79,794
		Voluntary Pre-K	267,844
		Career Ladder	41,551
		Safe School Grant	13,330
		Online Readiness Funds (Connect TN)	6,820
		Family Service Center Grant	30,312
		State Matching Fund-National Lunch Program	15,569
		IDEA Reimbursement for High Cost Expenditures	36,575
		State of Tennessee Superintendent Stipend	817
		STEM Leadership Substitute	117
		Total State Awards	13,114,729
		Total Federal and State Awards	\$ 17,308,195

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 funds of the Millington Municipal Schools Board of Education ("School"), which are special revenue funds and fiduciary funds of the City of Millington, Tennessee ("City"), as of and the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017. 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, 2017, 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 6, 2017**

Independent Auditors' Report on Compliance for the 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 the School's major federal program for the year ended June 30, 2017. The School's major federal program is 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 the School's major federal program 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 the 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 its major federal program for the year ended June 30, 2017.

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 the 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 6, 2017

**Millington Municipal Schools Board of Education
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

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:

CFDA Number

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? x yes 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