

Millington Municipal Schools Board of Education

Audited Financial Statements

For the Fiscal Year Ended June 30, 2015

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Independent Auditors' Report

Board of Education
Millington Municipal Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general purpose fund, each major fund and fiduciary fund of the Millington Municipal Schools Board of Education (the "School"), which are funds of the City of Millington, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general purpose fund, each major fund and fiduciary fund, of the Millington Municipal Schools Board of Education as of June 30, 2015, and the respective changes in financial position and budgetary comparison for the general purpose fund, and each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 10 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68 in 2015. Our opinion is not modified with respect to these changes.

Emphasis of the Matter

As discussed in Note 2, the financial statements of the Millington Municipal Schools Board of Education are intended to present the financial position and the changes in financial position of only the governmental activities, each major fund, and fiduciary fund of the City of Millington, Tennessee, that is attributable to the transactions of the Millington Municipal Schools Board of Education. They do not purport to, and do not present fairly the financial position of the City of Millington, Tennessee as of June 30, 2015, the changes in its financial position, budgetary comparisons, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-12) and the Schedule of the Proportionate Share of the Net Pension Asset and the Schedules of Contributions (pages 45-48), 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 School's basic financial statements. The 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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 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 November 30, 2015, 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
November 30, 2015**

Management's Discussion and Analysis

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, 2015.

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

Financial highlights

Highlights of the financial statements for the year ended June 30, 2015, for Millington Municipal Schools are as follows:

- **Net position.** Total governmental assets and deferred outflows at year-end were \$52.6 million and exceeded liabilities and deferred inflows of resources by \$49.3 million (net position). Of the total net position \$2.8 million is unrestricted that may be used to meet the government's ongoing obligations to citizens and creditors. Net position increased from fiscal year ("FY") 2014 to FY 2015 by \$5.7 million.
- **Fund balances.** At the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$4.0 million, of which \$3.6 million (unassigned fund balance) may be used to meet the School's spending requirements, \$129,955 are assigned and \$212,544 are restricted for instruction, instructional support and nutrition. The School has four funds: The General Purpose Fund, Federal Projects Fund, Cafeteria Fund, and Capital Projects Fund. The General Purpose Fund balance was \$3.8 million. The Federal Projects Grants balance was \$0. The Cafeteria Fund Balance was \$99,172. The Capital Project Fund balance was \$129,955.
- **General purpose school fund – fund balance.** This was the first full year of school operations. In fiscal year 2014, the School had a fund balance of \$4,334. During the current year, fund balance for the General Purpose School Fund was \$3.8 million, or 17% of current year expenditures.
- **Capital assets.** During this year the capital assets increased by 2.7%. The School received \$1.1 million from Shelby County for the replacement of roofs on the high school gymnasium and annex buildings. The School purchased various equipment for operations.
- **Debt service.** During the year the City of Millington issued a Tax and Revenue Anticipation Note in the amount of \$1.9 and transferred the amount to the School for managing cash flows. The Debt was repaid by May of 2015. Debt Service also includes a \$230,219 payment 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 of Millington 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 District.

The Millington Municipal Schools Board of Education operates four 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.

Millington Municipal Schools Board of Education Management's Discussion and Analysis

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. 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 13 and 14 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.

Millington Municipal Schools Board of Education Management's Discussion and Analysis

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

The basic governmental fund financial statements can be found on pages 15 through 17 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 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 18 through 30 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 32 through 44 of this report.

Required supplementary information (RSI): This information provides a schedule of proportionate share of net pension asset and of contributions of the Tennessee Consolidated Retirement System ("TCRS") plan for the Schools' non-teaching personnel. Teachers are considered state employees for TCRS retirement purposes. A schedule of funding progress can be found on pages 45 through 48 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. At June 30, 2015 and 2014, the School's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$51.4 million at June 30, 2015.

Condensed Statement of Net Position June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 5,367,901	\$ 202,913
Capital assets - net	<u>46,194,017</u>	<u>45,879,919</u>
Total assets	<u>51,561,918</u>	<u>46,082,832</u>
Deferred outflow of resources	<u>1,058,040</u>	<u>-</u>
Liabilities		
Current liabilities	1,401,478	428,798
Long-term liabilities	<u>1,942,064</u>	<u>2,110,260</u>
Total liabilities	<u>3,343,542</u>	<u>2,539,058</u>
Deferred inflows of resources	<u>8,887</u>	<u>-</u>
Net position		
Invested in capital assets	46,194,017	45,879,919
Restricted	212,544	-
Unrestricted	<u>2,860,968</u>	<u>(2,336,145)</u>
Total net position, before restatement	<u>\$ 49,267,529</u>	<u>\$ 43,543,774</u>

Millington Municipal Schools Board of Education
Management's Discussion and Analysis

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 \$5.6 million during fiscal year 2015. 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, 2015 and 2014, are as follows:

Condensed Statement of Changes in Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 88,557	\$ -
Operating grants and contributions	14,928,207	45,879,919
General revenues		
Taxes	10,889,244	2,455
Transfers from city's general fund	2,100,000	701,701
Other revenues	<u>706,959</u>	<u>-</u>
Total revenues	<u>28,712,967</u>	<u>46,584,075</u>
Expenses		
Instructional	12,483,530	-
Support services	8,078,220	3,040,301
Non-instructional (pre-school)	526,192	-
Food service	457,434	-
Capital outlay	1,353,269	-
Interest charges	<u>92,881</u>	<u>-</u>
Total expenses	<u>22,991,526</u>	<u>3,040,301</u>
Change in net position	5,721,441	43,543,774
Net position, beginning of year, before restatement	43,543,774	-
Cumulative effect of change in accounting principle	<u>2,314</u>	<u>-</u>
Net position, beginning of year, after restatement	43,546,088	-
Net position, end of year, before restatement	<u>\$ 49,267,529</u>	<u>\$ 43,543,774</u>

The significant factor contributing toward the FY 2015 \$5.6 million increase in net position was the contributions to the retirement fund, transfer of funds from the City for fund balance and the reduction of projected expenses anticipated in the first year of operations.

Revenues. The Tennessee Education Improvement Act ("EIA") of 1992 established the Tennessee Basic Education Program ("BEP") as the funding formula for kindergarten through grade twelve education in Tennessee. The components of the formula are grouped into three categories for determining the state and

Millington Municipal Schools Board of Education Management's Discussion and Analysis

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 initial BEP allocation was set in July 2014 at \$11,709,000. It was based on an estimated student Average Daily Membership (ADM) because it was the first year of operations. The BEP allocation was 72.76% for Instructional Funding, 77.18% for Classroom Funding and 49.48% for Non-Classroom Funding. The required local matching funds were 27.24%, 22.82% and 50.52%, respectively. The total required local match was \$5,792,000. 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.

In December of 2014 the BEP was adjusted based on actual ADM reported in previous months. This was a one-time adjustment because it was the first year of operations. The adjustment reduced the BEP allocation to \$11,432,000 from the state with a required local match of \$5,640,000.

Local taxes which consist of Shelby County property taxes, local option sales taxes and wheel tax were \$9,759,774 in fiscal year 2015. Shelby County allocated \$1,100,000 for capital improvement projects on the high school gymnasium and annex buildings roofs.

The City of Millington transferred \$800,000 for fund balance, annual cash payments of \$1,300,000, and mixed drink tax of \$29,470 in fiscal year 2015.

Expenses. Annual payments to the City's Debt Service Fund were \$1,926,108 during fiscal year 2015 for principal and interest payments related to the City issued Tax and Revenue Anticipation Note.

Instructional expenses represent the largest category for fiscal year 2015 with expenses of \$12,483,530, which is 54% of total expenses in the general purpose and capital project funds for fiscal year 2015.

Financial analysis of the 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, 2015, the School's governmental funds reported a combined fund balance of \$3,996,534, an increase of \$3,992,200 from the previous year. Approximately 91% or \$3,640,044 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. \$13,991 is classified as non-spendable for prepaid expenses and Cafeteria inventory, \$212,544, is restricted for a specific purpose per enabling legislation (Classroom Support - \$123,941 and Cafeteria - \$88,603), and \$129,955 is assigned for a specific purpose per action by the Board of Education for Capital Projects.

General purpose fund. The General Purpose School Fund is the main operating fund of the District. At June 30, 2015, unrestricted fund balance was \$3,640,044 while total fund balance was \$3,767,407. As a measure of the fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total expenditures. Unrestricted fund balance represents 16.4% of total general purpose school fund expenditures. The total fund balance represents 17% of total general purpose school fund expenditures.

Millington Municipal Schools Board of Education Management's Discussion and Analysis

The fund balance of the School's General Purpose Fund increased by \$3,763,073 during the current fiscal year. A few highlights of the General Purpose Fund are as follows:

- Revenues and other net financing sources were \$25,924,918 for fiscal year 2015 and \$704,156 for fiscal year 2014, with a net increase of \$25,220,762. Fiscal year 2015 was the first year of operations receiving state and county funding. A \$1.9 million tax and revenue anticipation note was received to cover initial operating obligations.
- Expenditures were \$22,161,845 for fiscal year 2015 and \$699,822 for fiscal year 2014, with an increase of \$21,462,023.
- Instructional expenditures represent 51.5% of the total expenditures for fiscal year 2015.

Federal projects fund. The Federal Projects Fund, which accounts for a majority of the School's federal grants, reported revenues and expenditures of \$1,460,507 for fiscal year 2015.

Cafeteria fund. The Cafeteria Fund operates on reimbursements from the federal government and food sales. The School participates 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 \$99,172 at the end of fiscal year 2015.

Capital projects fund. The Capital Projects Fund received \$1,537,610 in revenues. The majority (\$1,100,000) was received from the county for roof repairs on the high school gymnasium and annex buildings. \$437,610 are revenues from the TML insurance company for recovery of flood damage that occurred in April of 2015. The fund balance of \$129,955 is assigned to future capital projects.

Budgetary highlights

There was a net increase of \$159,095 in budgetary amendments to the General Purpose Fund's expenditures and other financing uses during fiscal year 2015. This was primarily due to additional funding and grants provided by the state during the year.

The General Purpose Fund balance increased \$3,763,073. Current year expenditures in instructional and support services were \$1.2 million less than budgeted.

Actual revenues and other financing sources were over budgeted amounts by \$249,939 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 May that was retroactive to the beginning of the fiscal year.

Expenditures and other financial uses were \$1,813,134 under budget in the general fund. Significant variances were:

- Expenditures in instruction activities were \$461,475 under budget.
- Expenditures in Plant Operations were \$259,752 under budget.
- Expenditures in Pupil Transportation were \$291,396 under budget.
- Expenditures in General Fund Capital Outlays was \$183,829 under budget.

Capital assets

The School's investment in capital assets for its governmental activities as of June 30, 2015, was \$47,199,325 with accumulated depreciation of \$1,005,308 resulting in a net book value of \$46,194,017.

The majority of capital asset activity is due to capital projects at various schools.

**Millington Municipal Schools Board of Education
Management's Discussion and Analysis**

Condensed Statement of Capital Assets

	2015	2014
Land	\$ 815,000	\$ 815,000
Land improvements	40,600	40,600
Buildings	46,007,102	44,868,400
Equipment	311,650	232,600
Construction in progress	24,973	-
	<u>47,199,325</u>	<u>45,956,600</u>
Less accumulated depreciation	<u>(1,005,308)</u>	<u>(76,681)</u>
Total assets	<u>\$ 46,194,017</u>	<u>\$ 45,879,919</u>

Enrollment

Fiscal year 2015 was the first 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 2015 was 2,653 compared to 2,672 that was estimated at the beginning of the fiscal year. Management is closely monitoring various factors affecting enrollment.

Economic factors and next year's budget

During the preparation of the fiscal year 2016 budget, the following major assumptions were used.

- The fiscal year 2016 budgeted expenditures for the General Purpose School Fund are \$23.1 million. This is a 4% increase over fiscal year 2015 expenditures of \$22.2 million. The TN Department of Education is projecting a 4% increase in the teacher base salary schedule and 4% for benefits.
- Compensation and benefits budgeted in FISCAL YEAR 2016 for employees are \$17.2 million. This is a 13.6% increase over fiscal year 2015 expenditures of \$15.2 million. The increase is primarily due to the addition of instructional and support staff, a pay increase, and an increase in health care benefits.
- For fiscal year 2016, the School has projected a 3% average increase in health insurance premiums. The TCRS pension employer contribution rate remains at 9.04% for legacy certified (teachers) staff and 9% for certified (teachers) staff hired after July 1, 2014. The rate of 8.14% remains the same for non-certified (support) staff. Life insurance premiums are not projected to increase.
- A pay raise of 3% is projected for all full-time employees. Adjustments to some pay to implement a new salary schedule for teachers are anticipated.

Final comments

The Millington Municipal School System worked through many challenges and unknowns in the first year of operations to provide a quality public education for students. The major unknowns that impacted the budget were the estimates of the number of students who would be enrolled, the number of teachers, the costs for salaries and benefits, the costs for operations (utilities, transportation), the condition of the facilities, and the associated costs for maintenance. Many of the challenges involved setting up new systems for tracking students, new IT software and programs, setting up a new health care plan, learning new programs for accounting and payroll, establishing policies, and managing a budget with changing revenue streams and expenditures. Through the first year, the School was able to manage the operations of the new School with minimum impact on teachers and student learning.

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
District-Wide Statement of Net Position
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	3,871,168
Receivables		
Accounts receivable		217,620
Due from City of Millington		221,574
Due from other governments		1,043,440
Inventory		10,569
Prepaid expenses		3,422
Total Current Assets		<u>5,367,793</u>

Capital Assets

Nondepreciable assets		
Land		815,000
Construction in Progress		24,973
Capital assets being depreciated		
Building and Improvements		46,007,102
Other Improvements		40,600
Equipment		311,650
Accumulated depreciation		<u>(1,005,308)</u>
Total Capital Assets		<u>46,194,017</u>

Net pension asset		<u>108</u>
Total assets		<u>51,561,918</u>

DEFERRED OUTFLOWS OF RESOURCES

Actuarial gains - pension		9,625
Pension contributions submitted after measurement date		<u>1,048,415</u>
Total deferred outflows of resources		<u>1,058,040</u>

LIABILITIES

Accounts payable and accrued liabilities		1,034,614
Unearned revenue		136,645
Settlement liability		
Due within one year		230,219
Due in more than one year		<u>1,942,064</u>
Total liabilities		<u>3,343,542</u>

DEFERRED INFLOWS OF RESOURCES

Actuarial losses - pension		<u>8,887</u>
Total deferred inflows of resources		<u>8,887</u>

NET POSITION

Net investment in capital assets		46,194,017
Restricted		212,544
Unrestricted		<u>2,860,968</u>
Total net position	\$	<u>49,267,529</u>

Millington Municipal Schools
District-Wide Statement of Activities
For the Year Ended June 30, 2015

				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	\$ 12,483,530	\$ -	\$ 13,564,369	\$ 1,080,839
Support services	8,078,220	-	-	(8,078,220)
Non-instructional services	526,192	-	-	(526,192)
Capital outlay	457,434	-	-	(457,434)
Food service	1,353,269	88,557	1,363,838	99,126
Interest charges	92,881	-	-	(92,881)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 22,991,526</u>	<u>\$ 88,557</u>	<u>\$ 14,928,207</u>	<u>(7,974,762)</u>
General revenues:				
Taxes				10,889,244
General contributions				2,100,000
Other revenues				<u>706,959</u>
Total general revenues				13,696,203
Change in net position				5,721,441
Net position - beginning of year, before restatement				43,543,774
Cumulative effect of change in accounting principle				<u>2,314</u>
Net position- beginning of year, after restatement				<u>43,546,088</u>
Net position - ending				<u>\$ 49,267,529</u>

Millington Municipal Schools
Balance Sheet - Governmental Funds
June 30, 2015

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,778,268	\$ -	\$ 92,900	\$ -	\$ 3,871,168
Receivables					
Accounts receivable	87,895	-	-	129,725	217,620
Due from City of Millington	221,574	-	-	-	221,574
Due from other governments	820,229	103,895	-	119,316	1,043,440
Due from (to) other funds	169,187	(50,101)	-	(119,086)	-
Inventory	-	-	10,569	-	10,569
Prepaid expenses	3,422	-	-	-	3,422
Total assets	<u>\$ 5,080,575</u>	<u>\$ 53,794</u>	<u>\$ 103,469</u>	<u>\$ 129,955</u>	<u>\$ 5,367,793</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 980,662	\$ 53,794	\$ 158	\$ -	\$ 1,034,614
Unearned revenue	332,506	-	4,139	-	336,645
Total liabilities	<u>1,313,168</u>	<u>53,794</u>	<u>4,297</u>	<u>-</u>	<u>1,371,259</u>
FUND BALANCES					
Nonspendable	3,422	-	10,569	-	13,991
Restricted	123,941	-	88,603	-	212,544
Assigned	-	-	-	129,955	129,955
Unassigned	3,640,044	-	-	-	3,640,044
Total fund balances	<u>3,767,407</u>	<u>-</u>	<u>99,172</u>	<u>129,955</u>	<u>3,996,534</u>
Total liabilities and fund balances	<u>\$ 5,080,575</u>	<u>\$ 53,794</u>	<u>\$ 103,469</u>	<u>\$ 129,955</u>	<u>\$ 5,367,793</u>
Fund balance, total governmental funds					\$ 3,996,534
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds					46,194,017
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					200,000
Settlement liability not due and payable in the current period					(2,172,283)
Deferred pension contributions					1,048,415
Deferred outflow resources/deferred inflow resources/net pension asset					846
Net Position of Governmental Activities					<u>\$ 49,267,529</u>

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
County taxes	\$ 9,559,774	\$ -	\$ -	\$ -	\$ 9,559,774
Other local taxes	29,470	-	-	1,100,000	1,129,470
Federal funds	235,862	1,460,507	-	-	1,696,369
State education funds	11,824,669	-	-	-	11,824,669
Other state revenue	43,331	-	-	-	43,331
Other local revenue	230,509	-	-	-	230,509
General contributions from					
City of Millington	2,100,000	-	-	-	2,100,000
Charges for services	-	-	88,557	-	88,557
USDA revenue	-	-	1,363,838	-	1,363,838
Other revenue	38,794	-	46	437,610	476,450
Total revenues	24,062,409	1,460,507	1,452,441	1,537,610	28,512,967
Expenditures					
Instruction	11,416,535	1,003,082	-	-	12,419,617
Support services	7,818,766	441,687	-	-	8,260,453
Non-instructional services	526,192	-	-	-	526,192
Capital outlay	239,275	-	-	1,460,884	1,700,159
Food services	-	-	1,353,269	-	1,353,269
Debt service	2,161,077	-	-	-	2,161,077
Total expenditures	22,161,845	1,444,769	1,353,269	1,460,884	26,420,767
Excess of revenues over expenditures	1,900,564	15,738	99,172	76,726	2,092,200
Other financing sources (uses)					
Transfer in	15,738	-	-	53,229	68,967
Transfer out	(53,229)	(15,738)	-	-	(68,967)
Inter-fund loan proceeds	1,900,000	-	-	-	1,900,000
	1,862,509	(15,738)	-	53,229	1,900,000
Net change in fund balances	3,763,073	-	99,172	129,955	3,992,200
Fund balances - beginning	4,334	-	-	-	4,334
Fund balances - ending	\$ 3,767,407	\$ -	\$ 99,172	\$ 129,955	\$ 3,996,534

See accompanying notes.

Millington Municipal Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balance, total governmental funds	\$ 3,992,200
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	1,242,725
Depreciation expense	(928,627)
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	200,000
Contributions made to pension plans after the measurement date (June 30, 2014) will not be recognized as an increase in the net pension asset until the following measurement date (June 30, 2015), which will be used to report the net pension liability in the next fiscal year.	1,048,415
Principle 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	168,196
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.	(1,468)
Change in net position of governmental activities	<u>\$ 5,721,441</u>

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
LOCAL TAXES				
COUNTY PROPERTY TAX				
Current Property Tax	\$ 6,392,052	\$ 6,291,228	\$ 6,656,666	\$ 365,438
Trustee's Coll - Prior Years	251,727	251,727	167,722	(84,005)
Circ Clerk Coll Prior Years	-	80,000	90,002	10,002
Payments in Lieu of Taxes	114,176	135,000	136,208	1,208
Local Option Sales Tax	2,550,564	2,550,564	2,509,176	(41,388)
Wheel Tax	-	-	-	-
OTHER LOCAL TAXES				
Mixed Drink Tax	48,075	28,000	29,470	1,470
TOTAL LOCAL TAXES	9,356,594	9,336,519	9,589,244	252,725
FEDERAL GOVERNMENT				
E-Rate Funding	148,555	148,555	138,976	(9,579)
ROTC Reimbursement	96,660	96,660	96,886	226
TOTAL FEDERAL GOVERNMENT	245,215	245,215	235,862	(9,353)
STATE OF TENNESSEE				
EDUCATION FUNDS				
Basic Education Program	11,677,000	11,432,000	11,432,000	-
Early Childhood Education	267,843	267,843	267,844	1
Other State Education Funds	-	4,324	4,324	-
Coordinated School Health	-	80,000	72,296	(7,704)
Career Ladder Program	-	34,400	31,868	(2,532)
Career Ladder-Extended Contracts	-	16,949	16,337	(612)
OTHER STATE REVENUE				
Safe School Grant	-	13,720	13,720	-
Other State Revenues	-	29,612	29,611	(1)
TOTAL STATE OF TENNESSEE	11,944,843	11,878,848	11,868,000	(10,848)
OTHER LOCAL REVENUE				
Other Local Revenue	-	224,960	230,509	5,549
TOTAL OTHER LOCAL REVENUE	-	224,960	230,509	5,549
GENERAL CONTRIBUTIONS				
From City of Millington	-	2,100,000	2,100,000	-
TOTAL GENERAL CONTRIBUTIONS	-	2,100,000	2,100,000	-
OTHER REVENUE				
RECURRING ITEMS				
Other Charges for Services	-	-	30	30
Investment Income	-	2,000	3,659	1,659
Lease/Rentals	-	17,000	22,927	5,927
Sale of Material & Supplies	-	-	2,477	2,477
Miscellaneous Refunds	-	-	153	153
NONRECURRING ITEMS				
Damages Recovered from Individuals	-	1,205	3,734	2,529
Contributions and Gifts	-	-	2,400	2,400
Insurance Recovery	-	-	3,414	3,414
TOTAL OTHER REVENUE	-	20,205	38,794	18,589
TOTAL REVENUE	21,546,652	23,805,747	24,062,409	256,662

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES				
INSTRUCTION				
REGULAR INSTRUCTION				
Teachers	7,673,259	6,792,201	6,682,947	109,254
Career Ladder Program	-	31,600	32,085	(485)
Educational Assistant	56,896	57,513	57,463	50
Certified Substitute Teachers	150,000	-	-	-
Social Security	488,570	426,641	396,196	30,445
State Retirement	690,791	621,383	609,060	12,323
Life Insurance	49,248	27,478	26,235	1,243
Medical Insurance	872,585	563,839	553,910	9,929
Employer Medicare Liability	114,262	99,779	92,634	7,145
Contracts for Substitute Teachers-Certified	-	170,000	209,569	(39,569)
Instructional Supplies & Material	107,460	110,305	107,764	2,541
Textbooks	204,999	204,999	166,364	38,635
Other Supplies & Material	11,037	18,000	15,735	2,265
Fee Waiver	-	25,000	25,000	-
Other Charges	-	45,000	7,485	37,515
Regular Instruction Equipment	-	79,521	-	79,521
TOTAL REGULAR INSTRUCTION	10,419,107	9,273,259	8,982,447	290,812
ALTERNATIVE SCHOOL				
Teacher	55,000	61,096	65,192	(4,096)
Homebound Teacher	20,000	48,279	103	48,176
Education Assistant	23,975	23,124	22,520	604
Social Security	6,136	8,215	4,748	3,467
State Retirement	8,875	11,978	7,240	4,738
Life Insurance	708	341	341	-
Medical Insurance	16,310	15,498	15,498	-
Employer Medicare	1,435	1,922	1,111	811
Other Contracted Services	10,000	10,000	3,168	6,832
Instructional Supplies & Material	300	800	343	457
Other Equipment	-	2,000	-	2,000
TOTAL ALTERNATIVE SCHOOL	142,739	183,253	120,264	62,989
SPECIAL EDUCATION PROGRAM				
Teacher	940,038	717,005	730,254	(13,249)
Homebound Teacher	-	10,000	-	10,000
Ed Assistant Salary	256,918	240,189	235,987	4,202
Substitute Teacher - Certified	1,400	-	-	-
Substitute Teacher - Non-Certified	2,000	-	-	-
Social Security	74,422	59,346	54,768	4,578
State Retirement	105,893	84,369	85,186	(817)
Life Insurance	8,227	3,873	3,773	100
Medical Insurance	171,255	103,688	102,878	810
Employer Medicare	17,405	13,880	14,425	(545)
Contracts Substitute Teachers-Certified	-	1,400	-	1,400
Contracts Substitute Teachers-(Non-Certified)	-	2,000	-	2,000
Other Contracted Services	30,000	180,000	134,636	45,364
Instructional Supplies & Material	2,500	5,000	1,131	3,869
TOTAL SPECIAL EDUCATION	1,610,059	1,420,750	1,363,038	57,712
VOCATIONAL EDUCATION				
Teacher	982,036	808,155	777,507	30,648

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Social Security	60,886	50,106	46,948	3,158
State Retirement	88,776	73,040	70,269	2,771
Life Insurance	6,750	3,285	3,161	124
Medical Insurance	81,550	36,644	34,732	1,912
Employer Medicare	14,240	11,718	10,980	738
Instructional Supplies & Material	2,800	2,800	300	2,500
Textbooks	-	5,000	4,929	71
Other Supplies & Material	-	8,000	1,960	6,040
Fee Waiver	-	2,000	-	2,000
TOTAL VOCATIONAL EDUCATION	1,237,038	1,000,748	950,786	49,962
TOTAL INSTRUCTIONAL	13,408,943	11,878,010	11,416,535	461,475
SUPPORT SERVICES				
HEALTH SERVICES				
Other Salaries	-	53,458	53,458	-
Social Security	-	3,314	3,285	29
State Retirement	-	4,352	4,352	-
Life Insurance	-	218	221	(3)
Employer Medicare	-	775	768	7
Other Contracted Services	132,300	132,300	134,515	(2,215)
Other Supplies & Material	-	5,000	1,089	3,911
In-Service/Staff Development	-	2,500	1,257	1,243
Other Charges	-	15,472	-	15,472
Health Equipment	-	7,962	7,865	97
TOTAL HEALTH CARE SERVICES	132,300	225,351	206,810	18,541
OTHER STUDENT SUPPORT				
Guidance Personnel	379,326	354,115	342,185	11,930
Social Worker	-	21,125	15,215	5,910
Social Security	23,518	23,265	20,975	2,290
State Retirement	34,291	33,732	32,300	1,432
Life Insurance	2,607	1,463	1,366	97
Medical Insurance	40,775	32,271	31,508	763
Employer Medicare	5,500	5,440	4,906	534
Travel	-	1,000	2,886	(1,886)
Other Supplies & Material	-	3,140	3,028	112
In-Service/Staff Development	-	530	530	-
Other Charges	-	10,470	-	10,470
Other Equipment	-	10,315	9,876	439
TOTAL OTHER STUDENT SERVICES	486,018	496,866	464,775	32,091
REGULAR INSTRUCTIONAL SUPPORT				
Supervisor	55,000	81,097	62,983	18,114
Career Ladder Program	-	1,800	1,800	-
Career Ladder Extended Contracts	-	16,949	14,000	2,949
Librarian	260,678	253,925	253,925	-
Social Security	19,572	20,951	19,747	1,204
State Retirement	23,565	25,305	24,948	357
Life Insurance	896	1,357	1,024	333
Medical Insurance	32,620	23,418	20,418	3,000
Employer Medicare	4,577	4,900	4,619	281
Contracts with Other Schools - Planning	9,902	-	-	-

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Travel	1,500	4,500	2,338	2,162
Other Contracted Services	75,935	85,837	61,544	24,293
Library Books/Media	18,000	18,000	9,950	8,050
Periodicals	-	10,000	-	10,000
Other Supplies & Material	2,000	22,000	15,244	6,756
In-Service/Staff Development	3,000	5,000	285	4,715
Other Charges	50,000	50,000	36,561	13,439
TOTAL REGULAR INSTRUCTIONAL SUPPORT	557,246	625,039	529,386	95,653
ALTERNATIVE EDUCATION SUPPORT				
Supervisor	42,500	42,750	39,458	3,292
Social Security	2,635	2,651	2,195	456
State Retirement	3,842	3,865	3,567	298
Life Insurance	292	174	172	2
Medical Insurance	4,078	5,388	5,687	(299)
Employer Medicare	616	619	513	106
Travel	-	1,500	573	927
In-Service Staff Development	-	1,000	-	1,000
TOTAL ALTERNATIVE EDUCATION SUPPORT	53,963	57,947	52,165	5,782
SPECIAL EDUCATION SUPPORT				
Supervisor	42,500	42,750	46,042	(3,292)
Psychological	80,000	68,582	68,582	-
Secretary	18,731	15,000	-	15,000
Clerical Salary	88,924	111,536	122,647	(11,111)
Speech	-	15,000	-	15,000
Social Security	14,270	15,678	13,977	1,701
State Retirement	17,210	18,812	18,765	47
Life Insurance	1,453	1,025	892	133
Medical Insurance	32,620	18,108	20,016	(1,908)
Employer Medicare	3,337	3,666	3,269	397
Consultants	16,090	-	-	-
Postal Charges	300	300	-	300
Travel	1,500	2,500	2,405	95
Other Contracted Services	80,000	110,000	57,953	52,047
Other Supplies & Material	6,095	6,395	6,388	7
In-Service/Staff Development	5,000	5,000	821	4,179
Other Equipment	4,000	77	77	-
TOTAL SPECIAL EDUCATION SUPPORT	412,030	434,429	361,834	72,595
VOCATIONAL EDUCATION SUPPORT				
Contracts with Other School Systems	9,910	9,910	10,495	(585)
TOTAL VOCATIONAL EDUCATION SUPPORT	9,910	9,910	10,495	(585)
BOARD OF EDUCATION				
Board and Committee Members	17,400	17,400	17,400	-
Social Security	1,079	1,079	1,079	-
State Retirement	-	1,221	1,026	195
Employer Medicare	252	252	252	-
Audit Services	33,000	-	11,000	(11,000)
Contracts with Other School Systems	230,219	-	-	-
Dues & Membership	7,100	7,700	7,700	-
Legal Services	24,000	60,000	44,697	15,303

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Travel	9,000	3,000	854	2,146
Other Contracted Services	-	2,000	2,000	-
Other Supplies & Material	300	800	312	488
Liability Insurance	23,748	23,203	23,203	-
Workers Compensation Insurance	54,495	65,000	64,622	378
In-Service/Staff Development	5,000	1,000	572	428
TOTAL BOARD OF EDUCATION	405,593	182,655	174,717	7,938
OFFICE OF THE DIRECTOR OF SCHOOLS				
Director of Schools	120,000	120,500	120,500	-
Secretary Salary	40,000	40,500	38,776	1,724
Clerical	30,000	33,994	35,871	(1,877)
Social Security	11,780	12,536	12,010	526
State Retirement	21,179	17,627	16,970	657
Life Insurance	1,306	793	793	-
Medical Insurance	28,666	22,053	20,119	1,934
Dental Insurance	-	-	1,064	(1,064)
Employer Medicare	2,755	2,933	2,809	124
Other Fringe Benefits	8,597	7,200	6,972	228
Dues & Membership	3,600	3,600	3,160	440
Postal Charges	2,000	3,000	2,439	561
Travel	2,000	3,000	2,017	983
Other Contracted Services	5,000	11,000	12,403	(1,403)
Office Supplies	6,000	10,000	8,228	1,772
Other Supplies & Material	-	500	260	240
In-Service/Staff Development	3,000	1,000	525	475
Other Charges	-	10,000	9,664	336
Administrative Equipment	3,000	3,000	2,687	313
TOTAL OFFICE OF THE DIRECTOR OF SCHOOLS	288,883	303,236	297,267	5,969
OFFICE OF PRINCIPAL				
Principal	406,604	406,084	406,084	-
Career Ladder Program	-	1,000	1,000	-
Assistant Principal	402,873	485,967	469,579	16,388
Secretary	162,479	167,472	149,284	18,188
Clerical	269,868	295,292	295,720	(428)
Other Salaries	76,172	68,220	46,744	21,476
Social Security	81,716	88,538	80,264	8,274
State Retirement	111,887	122,916	119,278	3,638
Life Insurance	9,047	5,556	5,422	134
Medical Insurance	146,790	116,948	115,189	1,759
Employer Medicare	19,111	20,705	18,772	1,933
Contract with Other Government - SRO	200,000	13,720	13,720	-
Administrative Equipment	-	11,000	-	11,000
TOTAL OFFICE OF PRINCIPAL	1,886,547	1,803,418	1,721,056	82,362
FISCAL SERVICES				
Supervisor	65,000	65,500	65,500	-
Bookkeeper	40,000	45,500	44,121	1,379
Purchasing	-	27,186	28,852	(1,666)
Social Security	6,510	8,568	8,017	551
State Retirement	8,547	11,248	11,272	(24)
Life Insurance	722	560	567	(7)
Medical Insurance	8,155	18,474	16,729	1,745

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Employer Medicare	1,523	2,004	1,875	129
Fiscal-Shared Services	66,922	-	-	-
Dues & Membership	150	150	-	150
Travel	500	2,000	1,072	928
Other Contracted Services	8,000	74,922	87,028	(12,106)
Office Supplies	400	700	481	219
Other Supplies & Material	200	1,600	1,205	395
Staff Development	-	2,500	1,525	975
TOTAL FISCAL SERVICES	206,628	260,912	268,244	(7,332)
HUMAN SERVICES				
Supervisor	65,000	65,500	65,500	-
Clerical	40,000	39,121	40,500	(1,379)
Social Security	6,510	6,486	6,113	373
State Retirement	8,547	8,516	8,629	(113)
Life Insurance	722	425	426	(1)
Medical Insurance	16,310	7,725	8,573	(848)
Unemployment Compensation	10,000	1,000	1,758	(758)
Employer Medicare	6,510	1,517	1,430	87
Advertising	-	600	35	565
Shared Services- Benefits	17,919	-	-	-
Dues & Membership	150	260	256	4
Travel	500	1,500	814	686
Other Contracted Services	8,500	10,000	6,497	3,503
Office Supplies	500	6,000	5,186	814
Staff Development	-	700	498	202
Other Charges	-	1,000	997	3
TOTAL HUMAN SERVICES	181,168	150,350	147,212	3,138
PLANT OPERATIONS				
Supervisor	60,000	60,500	60,500	-
Plant Manager	219,336	196,063	193,278	2,785
Social Security	17,319	15,907	15,065	842
State Retirement	22,738	20,884	20,494	390
Life Insurance	1,920	1,040	1,006	34
Medical Insurance	48,930	19,089	18,667	422
Employer Medicare	4,050	3,720	3,523	197
Dues & Membership	-	200	-	200
Janitorial Services	498,482	498,482	502,218	(3,736)
Travel	-	1,500	1,337	163
Custodial Supplies	-	1,000	661	339
Electricity	850,000	850,000	603,531	246,469
Uniforms	500	-	-	-
Water & Sewer	18,249	28,000	22,621	5,379
Other Supplies & Material	-	500	54	446
Building & Content Insurance	77,435	74,110	74,110	-
Staff Development	-	100	-	100
Other Charges (Sanitation)	23,760	28,000	27,278	722
Plant Operation Equipment	2,000	5,000	-	5,000
TOTAL PLANT OPERATIONS	1,844,719	1,804,095	1,544,343	259,752
PLANT MAINTENANCE				
Maintenance Personnel	-	38,629	13,501	25,128
Social Security	-	2,395	906	1,489

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Medicare	-	560	212	348
Maintenance & Repair - Buildings	50,000	200,000	178,127	21,873
Maintenance & Repair - Equipment	3,000	5,000	2,925	2,075
Maintenance & Repair - Vehicle	-	500	20	480
Other Contracted Services	200,000	200,000	161,051	38,949
Equipment & Machinery Parts	30,000	7,000	5,384	1,616
Gasoline	-	1,500	736	764
Other Supplies & Material	-	2,000	-	2,000
Vehicle & Equip Insurance	-	161	161	-
Other Charges	500	500	104	396
Administrative Equipment	1,000	1,000	-	1,000
Maintenance Equipment	4,000	10,000	3,837	6,163
TOTAL PLANT MAINTENANCE	288,500	469,245	366,964	102,281
PUPIL TRANSPORTATION				
Contracts Other School Systems	24,180	24,180	23,114	1,066
Contract Private Agencies	1,432,000	1,260,000	998,157	261,843
Diesel Fuel	211,680	130,000	101,513	28,487
TOTAL PUPIL TRANSPORTATION	1,667,860	1,414,180	1,122,784	291,396
TECHNOLOGY (IT SUPPORT)				
Supervisor	65,000	67,300	67,300	-
IT Salary	40,000	75,695	75,695	-
Social Security	6,510	8,866	7,725	1,141
State Retirement	6,512	12,245	11,973	272
Life Insurance	722	552	559	(7)
Medical Insurance	16,310	21,620	24,320	(2,700)
Employer Medicare	1,523	2,074	1,807	267
Communications	26,930	26,930	22,459	4,471
Consultants	2,800	-	-	-
IT-Shared Services-	56,763	-	-	-
Maintenance & Repair Services - Equipment	25,000	25,000	24,966	34
Travel	-	800	-	800
Other Contracted Services	192,294	280,057	257,411	22,646
Office Supplies	600	600	596	4
Other Supplies & Material	10,000	10,000	10,025	(25)
In-Service/Staff Development	3,000	3,000	90	2,910
Other Charges	5,900	5,900	5,144	756
Administrative Equipment	15,644	15,644	15,644	-
Regular Instruction Equipment	25,623	-	-	-
Other Equipment	-	25,000	25,000	-
TOTAL TECHNOLOGY (IT SUPPORT)	501,130	581,283	550,714	30,569
TOTAL SUPPORT SERVICES	8,922,494	8,818,916	7,818,766	1,000,150
NON-INSTRUCTIONAL				
EARLY CHILDHOOD EDUCATION				
Teachers	172,258	225,395	225,395	-
Career Ladder Program		1,000	-	1,000
Educational Assistant	55,798	69,421	69,422	(1)
Other Salaries & Wages		3,915	1,025	2,890
Social Security	14,139	18,341	17,504	837
State Retirement	20,114	26,117	26,092	25

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Purpose Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Life Insurance	1,568	1,192	1,188	4
Medical Insurance	40,775	16,245	16,245	-
Employer Medicare Liability	3,307	4,289	4,094	195
Contracted Substitutes - Certified	-	2,000	1,872	128
Other Contracted Services	-	101,760	101,760	-
Instructional Supplies & Material	600	10,518	10,067	451
Other Supplies & Material	-	3,600	2,660	940
Other Charges	-	3,000	2,151	849
Regular Instructional Equipment	-	-	2,472	(2,472)
Other Equipment	-	46,726	44,245	2,481
TOTAL EARLY CHILDHOOD EDUCATION	308,559	533,519	526,192	7,327
TOTAL NON-INSTRUCTIONAL	308,559	533,519	526,192	7,327
<u>CAPITAL OUTLAY</u>	109,118	423,104	239,275	183,829
TOTAL EXPENDITURES BEFORE DEBT SERVICE	22,749,113	21,653,549	20,000,768	1,652,781
<u>DEBT SERVICE</u>				
Principal on Inter-fund Note	1,900,000	1,900,000	1,900,000	-
Interest on Inter-fund Loans	115,250	26,790	26,108	682
Payments on Settlement Obligation	-	230,219	230,219	-
Debt Issuance	4,750	4,750	4,750	-
TOTAL DEBT SERVICE	2,020,000	2,161,759	2,161,077	682
TOTAL EXPENDITURES	24,769,113	23,815,308	22,161,845	1,653,463
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Issued - Bridge Loan	1,900,000	1,900,000	1,900,000	-
Transfer from Other Funds	2,122,461	22,461	15,738	6,723
Transfer to Other Funds	-	(212,900)	(53,229)	(159,671)
Non Appropriated Restricted Revenue	(800,000)	(800,000)	-	(800,000)
Contingency	-	(900,000)	-	(900,000)
TOTAL OTHER FINANCING SOURCES	3,222,461	9,561	1,862,509	(1,852,948)
Total Expenditures & Other Financing Sources	\$ 21,546,652	\$ 23,805,747	20,299,336	\$ 3,506,411
Revenue Over (Under) Expenditures & Other			3,763,073	
Fund Balance, at July 1, 2014			4,334	
Fund Balance, at July 1, 2015			\$ 3,767,407	

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
FEDERAL FUNDS				
Title I, Part A	\$ 1,081,574	\$ 1,067,999	\$ 825,357	\$ (242,642)
IDEA Special Ed Grants to States	613,607	613,607	571,952	(41,655)
IDEA Pre K	-	7,792	5,873	(1,919)
Title II Part A	111,855	110,789	40,167	(70,622)
Title III Part A (ELL)	2,889	-	-	-
Consolidated Admin	-	18,768	17,158	(1,610)
TOTAL REVENUE	<u>1,809,925</u>	<u>1,818,955</u>	<u>1,460,507</u>	<u>(358,448)</u>
EXPENDITURES				
INSTRUCTION				
TITLE I				
Teachers	221,983	187,468	177,917	9,551
Education Assistants	58,445	40,651	37,019	3,632
Substitute Teachers Salary	40,362	-	-	-
Social Security	19,892	14,072	12,526	1,546
State Retirement	18,272	18,299	15,224	3,075
Life Insurance	1,700	1,090	688	402
Medical Insurance	42,000	32,298	18,369	13,929
Employer Medicare	4,672	3,308	2,930	378
Contracts with Other Systems	-	9,515	9,514	1
Contract Substitute Teachers	-	13,793	7,079	6,714
Other Contracted Services	23,814	26,749	18,183	8,566
Instructional Supplies and Materials	50,326	62,873	35,975	26,898
Other Materials and Supplies	33,208	32,803	12,767	20,036
Equipment	<u>46,846</u>	<u>156,276</u>	<u>78,487</u>	<u>77,789</u>
TOTAL TITLE I	561,522	599,195	426,678	172,517
IDEA SPECIAL EDUCATION				
Teachers	242,460	221,236	221,236	-
Education Assistants	144,480	146,637	144,781	1,856
Speech Pathologists	61,591	-	-	-
Other Salaries	-	6,330	1,000	5,330
Social Security	27,809	22,684	21,052	1,632
State Retirement	39,247	31,755	31,875	(120)
Life Insurance	3,083	1,500	1,467	33
Medical Insurance	81,070	41,899	38,440	3,459
Medicare	6,504	5,305	4,923	382
Maint & Repair Services Equipment	1,000	1,000	311	689
Other Contracted Services	-	89,750	83,915	5,835
Instructional Supplies and Materials	-	21,417	8,425	12,992
Other Charges	6,363	10,000	7,263	2,737
Special Ed Equipment	-	7,110	7,264	(154)
Support Services	-	-	-	-
Other Contracted Services	-	2,520	-	2,520
Support Services Transportation	-	-	-	-
Contracts with Public Carriers	-	4,464	-	4,464
TOTAL SPECIAL EDUCATION	<u>613,607</u>	<u>613,607</u>	<u>571,952</u>	<u>41,655</u>
IDEA PRE-K				
Instructional Supplies & Material	-	2,247	1,084	1,163

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Special Ed Equipment	-	4,045	3,368	677
TOTAL IDEA PRE-K	-	6,292	4,452	1,840
 TOTAL INSTRUCTIONAL	 1,175,129	 1,219,094	 1,003,082	 216,012
 <u>SUPPORT SERVICES</u>				
TITLE I				
Parenting Material	12,995	-	-	-
Social Workers	-	7,500	7,500	-
Social Security	-	465	465	-
State Retirement	-	678	678	-
Life Insurance	-	75	75	-
Medical	-	158	-	158
Medicare	-	109	109	-
Evaluating & Testing	-	6,500	-	6,500
Other Supplies and Materials	-	1,182	-	1,182
Other Charges	-	12,995	6,058	6,937
Secretary	12,500	-	-	-
Other Salaries	343,086	312,428	283,615	28,813
Social Security	22,046	19,371	16,525	2,846
State Retirement	31,015	28,243	23,444	4,799
Life Insurance	2,000	1,679	935	744
Medical Insurance	33,600	24,173	23,923	250
Employer Medicare	5,156	4,530	3,865	665
Travel	-	9,139	2,300	6,839
Library Books	6,000	6,291	5,956	335
In Serv/Staff Dev	29,588	15,412	8,590	6,822
Supplies & Materials	1,852	-	-	-
Other Equipment	1,000	-	-	-
TOTAL TITLE I	500,839	450,929	384,038	66,891
 CONSOLIDATED ADMIN				
Secretaries	-	14,500	13,925	575
Social Security	-	899	863	36
Medicare	-	211	202	9
Other Supplies & Material	-	1,852	958	894
Other Equipment	-	1,000	900	100
TOTAL CONSOLIDATED ADMIN	-	18,462	16,848	1,614
 TITLE II				
Other Sal & Wages	60,000	60,000	29,120	30,880
Certified Substitutes	5,000	-	-	-
Social Security	4,030	3,720	1,505	2,215
State Retirement	5,980	5,424	2,321	3,103
Medicare	9,425	870	352	518
Travel	6,388	6,388	251	6,137
Contract Substitute Teachers	-	7,020	234	6,786
In-Service Staff Development	17,784	22,196	5,597	16,599
Other Charges	-	3,000	-	3,000
TOTAL TITLE II	108,607	108,618	39,380	69,238
 TITLE III				

See accompanying notes.

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Federal Projects Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Sal & Wages	2,889	-	-	-
TOTAL TITLE III	2,889	-	-	-
IDEA PRE-K				
In-Service & Staff Development	-	1,500	1,421	79
TOTAL IDEA PRE-K	-	1,500	1,421	79
TOTAL SUPPORT SERVICES	612,335	579,509	441,687	137,823
TOTAL EXPENDITURES	1,787,464	1,798,603	1,444,769	353,835
OTHER FINANCING SOURCES (USES)				
Indirect Cost Consolidated Admin	(306)	(306)	(306)	-
Indirect Cost Title I	(19,984)	(17,875)	(14,644)	(3,231)
Indirect Cost	(2,171)	(2,171)	(788)	(1,383)
	<u>\$ (22,461)</u>	<u>\$ (20,352)</u>	<u>(15,738)</u>	<u>\$ (4,614)</u>
Revenues over (under) expenditures			-	
Fund Balance, at July 1, 2014			-	
Fund Balance, at July 1, 2015			<u>\$ -</u>	

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Cafeteria Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUE</u>				
CHARGES FOR SERVICES				
Lunch Payments-Adults	\$ 30,000	\$ 23,000	\$ 26,036	\$ 3,036
Ala Carte	30,000	60,500	62,521	2,021
TOTAL CHARGES FOR SERVICES	60,000	83,500	88,557	5,057
USDA				
Federal Government Revenue	1,018,120	1,249,157	1,289,367	40,210
USGA Commodities	-	-	74,471	74,471
TOTAL USDA	1,018,120	1,249,157	1,363,838	114,681
OTHER REVENUE				
Other Sources	-	25	46	21
TOTAL OTHER REVENUE	-	25	46	21
TOTAL REVENUE	<u>1,078,120</u>	<u>1,332,682</u>	<u>1,452,441</u>	<u>119,759</u>
<u>EXPENDITURES</u>				
Cafeteria Manager	138,782	138,169	135,543	2,626
Part Time	264,176	330,200	324,574	5,626
Social Security	24,983	29,039	26,304	2,735
TCRS	21,018	23,626	23,329	297
Life Insurance	887	1,801	1,138	663
Medical Insurance	89,705	55,926	52,836	3,090
Employer Medicare	5,843	6,791	6,152	640
Audit Services	8,886	-	-	-
Shared Service	29,912	29,912	33,408	(3,496)
Food Supplies	472,725	672,718	655,672	17,046
Other Supplies & Material	13,202	-	-	-
Other Charges	4,000	40,500	16,675	23,825
Food Service Equipment	4,000	4,000	3,167	833
Other Expenditures	-	-	-	-
USGA Coomodities	-	-	74,471	(74,471)
TOTAL EXPENDITURES	<u>1,078,120</u>	<u>1,332,682</u>	<u>1,353,269</u>	<u>(20,587)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,172</u>	<u>\$ 99,172</u>
Fund Balance, at July 1, 2014			-	
Fund Balance, at July 1, 2015			<u>\$ 99,172</u>	

Millington Municipal Schools
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual Capital Projects Fund
For the Year June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Other Statutory Local Taxes	\$ -	\$ 1,100,000	\$ 1,100,000	\$ -
Other Local Revenue	-	34,740	34,740	-
Insurance Recovery	-	-	402,870	402,870
Transfer In City	-	300,000	-	(300,000)
Total Revenue	-	1,434,740	1,537,610	102,870
Expenditures				
Architects	-	82,000	56,687	25,313
Consultants	-	34,740	30,069	4,671
Building Improvements	-	1,530,900	1,098,516	432,384
Flood Repairs	-	-	275,612	(275,612)
Total Expenditures	-	1,647,640	1,460,884	186,756
Other Financing Sources				
Transfer From Other Fund	-	212,900	53,229	(159,671)
Revenues over (under) expenditures	\$ -	\$ -	\$ 129,955	\$ 129,955
Fund Balance, at July 1, 2014			-	
Fund Balance, at July 1, 2015			\$ 129,955	

Millington Municipal Schools
Statement of Changes in Assets and Liabilities - Student Activity Fund
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash	\$ 220,545	\$ 569,778	\$ (518,210)	\$ 272,113
Inventory	4,045	731	-	4,776
Total assets	<u>\$ 224,590</u>	<u>\$ 570,509</u>	<u>\$ (518,210)</u>	<u>\$ 276,889</u>
LIABILITIES				
Due to student groups	\$ 87,872	\$ 432,248	\$ (377,969)	\$ 142,153
Due to student general fund	136,718	138,261	(140,241)	134,738
Total liabilities	<u>\$ 224,590</u>	<u>\$ 570,509</u>	<u>\$ (518,210)</u>	<u>\$ 276,889</u>

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

(A) - Financial reporting entity

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

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

(B) - Basis of presentation

District-wide financial statements

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

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

Governmental fund financial statements

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

The funds of the financial reporting entity are described below:

Governmental funds

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

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

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.

(C) - Measurement focus and basis of accounting

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

Measurement focus

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

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

Basis of accounting

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

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

(D) - Budgetary data

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

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

(E) - Cash and cash equivalents

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

Millington Municipal Schools Board of Education
Notes to Financial Statements

(F) – Receivables

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

(G) – 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

(H) - 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.

(I) - 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.

(J) – 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.

Committed

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

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 Board of Education 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 Board 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.

(K) – 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.

(L) – Pensions

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

2. Deposits

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the school's deposits may not be returned to it. To reduce the risk of loss, Tennessee State Law required that all deposits with financial institutions in excess of FDIC limits be secured (1) with a financial institution(s) that participates in the State of Tennessee Bank Collateral Pool administered by the state treasurer or (2) are collateralized with securities held by the Millington Municipal Schools Board of Education's agent in the name of the Board of Education whose market value is equal to 105 percent (105%) of the uninsured deposits. None of the deposits were subject to custodial risk as all balances were insured through FDIC or deposited with banks participating in the State of Tennessee Bank Collateral Pool. At year-end, cash per bank was \$4,753,546 before reconciliation to the carrying amount of \$4,143,281 on the balance sheet.

3. Surety Bonds

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

Millington Municipal Schools Board of Education
Notes to Financial Statements

4. Interfund Transfers

During the year ended June 30, 2015, the City transferred \$2,100,000 to the general purpose fund to be used for operational needs, which is recorded as operating revenues. The City also loaned the School \$1,900,000 of start-up funds at the beginning of the school year. These funds are reported as Other Financing Sources. The entire principle balance plus 1.41% interest was repaid during fiscal 2015 and is recorded as interfund debt service cost.

The School's general purpose fund also transferred \$53,229 to the capital projects fund and the federal projects fund transferred \$15,738 to the general purpose fund during fiscal year 2015.

5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as followed:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 815,000	\$ -	\$ -	\$ -	\$ 815,000
Construction in progress	-	24,973	-	-	24,973
Total capital assets not being depreciated	<u>815,000</u>	<u>24,973</u>	<u>-</u>	<u>-</u>	<u>839,973</u>
Other capital assets:					
Land Improvements	40,600	-	-	-	40,600
Buildings	44,868,400	1,138,702	-	-	46,007,102
Equipment	<u>232,600</u>	<u>79,050</u>	<u>-</u>	<u>-</u>	<u>311,650</u>
Total other capital assets at historical cost	<u>45,141,600</u>	<u>1,217,752</u>	<u>-</u>	<u>-</u>	<u>46,359,352</u>
Less accumulated depreciation for:					
Land Improvements	(68)	(812)	-	-	(880)
Buildings	(75,621)	(912,195)	-	-	(987,816)
Equipment	<u>(992)</u>	<u>(15,620)</u>	<u>-</u>	<u>-</u>	<u>(16,612)</u>
Total accumulated depreciation	<u>(76,681)</u>	<u>(928,627)</u>	<u>-</u>	<u>-</u>	<u>(1,005,308)</u>
Other capital assets, net	<u>45,064,919</u>	<u>289,125</u>	<u>-</u>	<u>-</u>	<u>45,354,044</u>
Governmental activities capital assets, net	<u>\$ 45,879,919</u>	<u>\$ 314,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,194,017</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.

6. Pension Plans

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

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

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

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.

(A) – Teacher legacy pension plan – TCRS Administered

General Information about the Pension Plan

1. 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. The Teacher Retirement Plan is a separate cost-sharing, multiple- employer defined benefit plan.

2. 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.

Millington Municipal Schools Board of Education
Notes to Financial Statements

3. 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, 2015 to the Teacher Legacy Pension Plan were \$826,309 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

1. Pension assets

At June 30, 2015, the Millington Municipal Schools reported an asset of \$108 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Millington Municipal School's proportion of the net pension liability was based on Millington Municipal School's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Millington Municipal School's proportion was 0.000664 percent. The proportion measured as of June 30, 2013 was 0.062757 percent.

2. Pension expense

For the year ended June 30, 2015, Millington Municipal Schools recognized a pension expense of \$1,468.

3. Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Millington Municipal Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 262	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,887
Changes in proportion of Net Pension Liability (Asset)	9,363	-
LEA's contributions subsequent to the measurement date of June 30, 2014	<u>826,309</u>	<u>-</u>
Total	<u>\$ 835,934</u>	<u>\$ 8,887</u>

Millington Municipal Schools Board of Education
Notes to Financial Statements

Millington Municipal Schools employer contributions of \$826,309, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$	(618)
2017		(618)
2018		(618)
2019		(618)
2020		1,604
Thereafter		1,604

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

4. Actuarial assumptions

The total pension liability in the June 30, 2014 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, 2014 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:

Millington Municipal Schools Board of Education
Notes to Financial Statements

<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.

a. 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.

b. Sensitivity of the proportionate share of net pension liability (assets) to changes in the discount rate

The following presents Millington Municipal School's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Millington Municipal School's 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 School's proportionate share of the net pension liability (asset)	\$ 18,192	\$ (108)	\$ (15,258)

c. 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 – TCRS Administered

General information about the pension plan

1. 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. The Teacher Retirement Plan is a separate cost-sharing, multiple- employer defined benefit plan.

2. Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

3. 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. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for 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, 2015 to the Teacher Retirement Plan were \$39,873, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Millington Municipal Schools Board of Education
Notes to Financial Statements

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

1. Pension liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the separate Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

2. Pension expense

Since the measurement date is June 30, 2014, Millington Municipal Schools did not recognize a pension expense at June 30, 2015.

3. Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Millington Municipal Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Millington Municipal School's contributions subsequent to the measurement date of June 30, 2014	\$ 39,873	\$ -

Millington Municipal School's employer contributions of \$39,873 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

C) – Political subdivision pension plan

General information about the pension plan

1. Plan description

Support personnel and non-teachers of Millington Municipal Schools are provided with pensions through the Political Subdivision Pension Plan, an agent multiple-employer pension plan administered by the TCRS. Local governments were given the option of selecting the hybrid pension plan. In addition, legislation passed in 2013 permits a local board of education to participate in TCRS separately from the local government. The City of Millington has approved the creation of a separate hybrid plan for Millington Municipal Schools.

2. 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 Political Subdivision Plan are eligible to retire at age 60 with 5 years of service credit or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. 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. Member and beneficiary annuitants are entitled to automatic

Millington Municipal Schools Board of Education
Notes to Financial Statements

cost of living adjustments (COLAs) after retirement. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

3. Contributions

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

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

1. Pension liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the separate Millington Municipal Schools Political Subdivision Pension Plan, there is not a net pension liability to report at June 30, 2015.

2. Pension expense

Since the measurement date is June 30, 2014, Millington Municipal Schools did not recognize a pension expense at June 30, 2015.

3. Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Millington Municipal Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Millington Municipal School's contributions subsequent to the measurement date of June 30, 2014	\$ 182,233	\$ -

7. Commitments and Contingencies

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

8. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the board of education carries commercial insurance. In 2015, the School filed an insurance claim related to flooding for approximately \$430,000, of which approximately \$270,000 was collected prior to June 30, 2015.

9. Litigation and Settlement Liability

In January 2014, the County Commission of Shelby County, Tennessee, the City and the School entered a settlement agreement to resolve all claims and contentions between the parties concerning the formation of the School. As a condition of the settlement, the School agreed to pay the Shelby County Board of Education twelve annual payments of \$230,219 for total of \$2,762,628. During fiscal 2015, the School made their first payment of \$230,219 and recognized interest expense of \$62,023 using an effective interest rate of 2.89%. As of June 30, 2015, the School has recorded a liability of \$2,172,283 in the statement of net position to reflect the net present value of the remaining eleven payments under this settlement liability.

The School did not use the services of an attorney during the fiscal year ending June 30, 2015. School management is not aware of any threatened or active legal issues.

10. Change in Accounting Principles/Restatement

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (an amendment of GASB Statement No. 28) in the fiscal year ending June 30, 2015. The implementation of the statements required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, beginning of the year net position increased by \$2,314.

Required Supplementary Information

Millington Municipal Schools
Schedule of Proportionate Share of Net Pension Asset - Teacher Legacy Pension Plan of TCRS
For the Year Ended June 30, 2015 *

Proportion of net pension asset		0.000664%
Proportionate share of the net pension asset	\$	108
Covered-employee payroll	\$	26,054
Proportionate share of the net pension asset as a percentage of covered-employee payroll		0.41%
Plan fiduciary net position as a percentage of the total pension liability		100.08%

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

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

Millington Municipal Schools
Schedule of Contributions - Teacher Legacy Pension Plan of TCRS
For Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 826,309	\$ 2,314
Contributions in relation to the actuarially determined contribution	<u>826,309</u>	<u>2,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered-employee payroll	9.04%	8.88%

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

Millington Municipal Schools
Schedule of Contributions - Teacher Retirement Plan of TCRS
For Fiscal Year Ended June 30, 2015

Actuarially determined contribution	\$	24,921
Contributions in relation to the actuarially determined contribution		<u>39,873</u>
Contribution deficiency (excess)	\$	<u><u>(14,952)</u></u>
Covered-employee payroll	\$	996,818
Contributions as a percentage of covered-employee payroll		4.00%

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

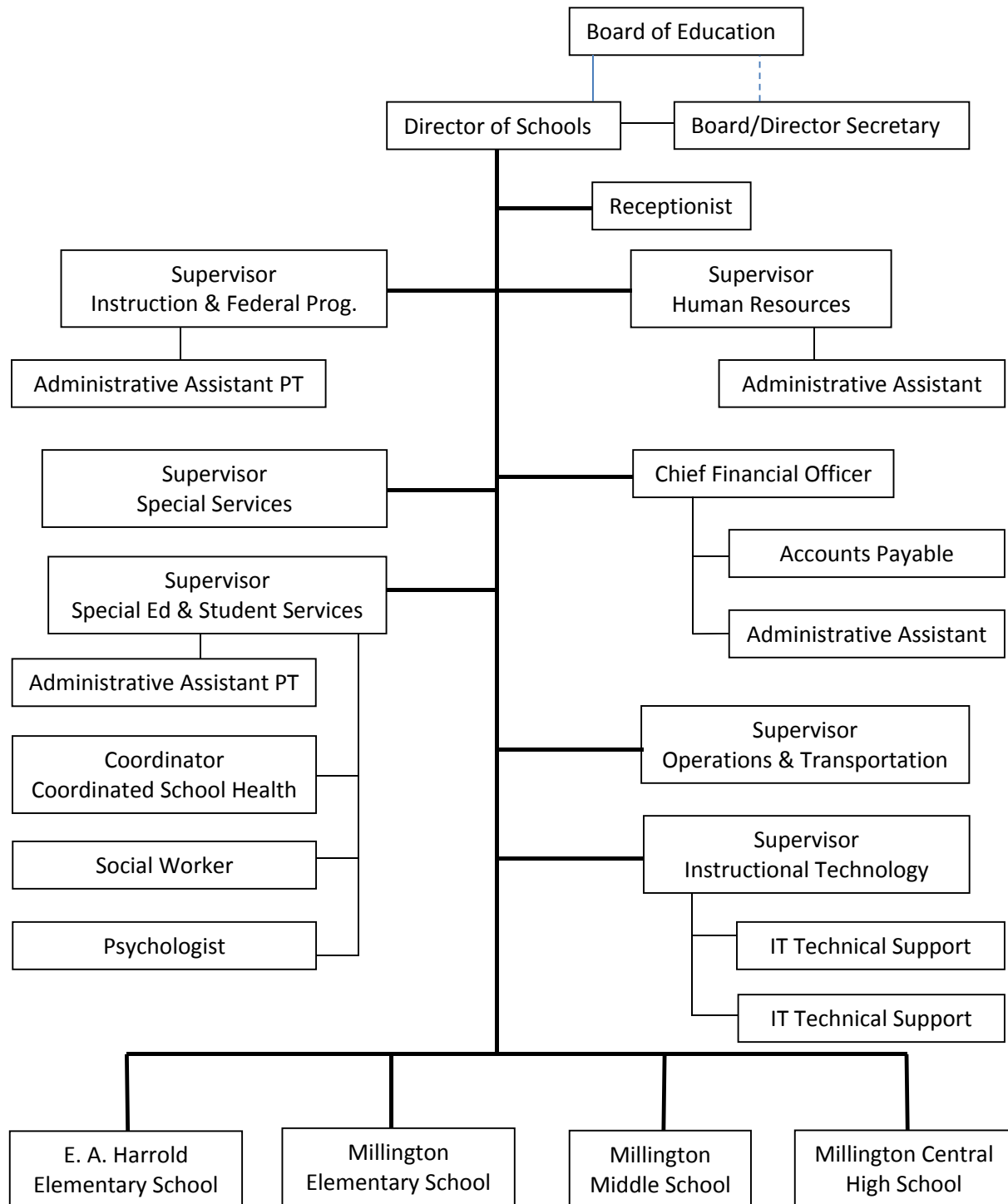
Millington Municipal Schools
Schedule of Contributions - Political Subdivision Pension Plan of TCRS
For Fiscal Year Ended June 30, 2015

Actuarially determined contribution	\$	182,233
Contributions in relation to the actuarially determined contribution		<u>182,233</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
Covered-employee payroll	\$	2,241,733
Contributions as a percentage of covered-employee payroll		8.13%

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.

Other Supplementary Information

**Millington Municipal Schools
Organization Chart
For the Years 2015 and 2014**



Millington Municipal Schools
Roster of School Officials
June 30, 2015

Board of Education

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

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

Governmental Auditing Standards Section

Millington Municipal Schools
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

CFDA Number	Program Name	Receivable (Deferral) June 30, 2014	Receipts	Expenditures	Receivable (Deferral) June 30, 2015
Federal Awards:					
12.000	U.S. Department of Defense Direct Program: NJROTC Instruction	\$ -	\$ 96,886	\$ 96,886	\$ -
	Total Direct programs	-	96,886	96,886	-
10.553	U.S. Department of Agriculture Pass Through Programs: School Breakfast Program	-	360,513	359,714	(799)
10.555	National School Lunch Program - Non Cash Assistance	-	74,471	74,471	-
10.555	National School Lunch Program - Cash Assistance	-	931,717	929,653	(2,064)
	Total National School Lunch Program	-	1,006,188	1,004,124	(2,064)
	Total U.S. Department of Agriculture	-	1,366,701	1,363,838	(2,863)
84.010A	U.S. Department of Education Pass Through Programs: Title I Grants to Local Educational Agencies	-	758,464	825,357	66,893
84.010A	Consolidated Administration Pool	-	14,815	16,081	1,266
	Total Title I Grants to Local Educational Agencies	-	773,279	841,438	68,159
84.367A	Title II, Part A Improving Teacher Quality State Grants	-	37,880	40,167	2,287
84.367A	Consolidated Administration Pool	-	1,077	1,077	-
	Total Title II, Part A Improving Teacher Quality State Grants	-	38,957	41,244	2,287
84.027A	IDEA Part B	-	538,556	571,952	33,396
84.173A	IDEA PreSchool Incentive	-	5,820	5,873	53
	Total U.S. Department of Education	-	1,356,612	1,460,507	103,895
	Total Pass Through:	-	2,723,313	2,824,345	101,032
	Total Federal Awards	-	2,820,199	2,921,231	101,032
State Awards					
	Basic Education Program	-	11,432,000	11,432,000	-
	Coordinated School Health	-	67,061	72,296	5,235
	Voluntary Pre-K	-	245,459	267,844	22,385
	Explore and Plan Assessments Reimbursement	-	4,324	4,324	-
	Career Ladder	-	31,868	31,868	-
	Extended Career Ladder Contracts	-	16,949	16,337	(612)
	Safe School Grant	-	13,720	13,720	-
	Online Readiness Funds (Connect TN)	-	131,894	-	(131,894)
	Family Service Center Grant	-	-	29,611	29,611
	Total State Awards	-	11,943,275	11,868,000	(75,275)
	Total Federal and State Awards	\$ -	\$ 14,763,474	\$ 14,789,231	\$ 25,757

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 and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

The Board of Education
Millington Municipal Schools
City of Millington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the district-wide financial statements of the governmental activities, each major fund, and fiduciary fund of the Millington Municipal Schools Board of Education ("School"), which are special revenue funds and an agency fund of the City of Millington, Tennessee ("City"), as of and the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2015. 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, 2015, 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*.

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
November 30, 2015

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Required by OMB Circular A-133

To the Board of Education
Millington Municipal Schools
City of 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 Circular A-133 Compliance Supplement that could have a direct and material effect each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Memphis, Tennessee
November 30, 2015

Millington Municipal Schools
Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial statements:

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> x </u> no

Federal awards:

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> x </u> none reported
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ yes <u> x </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.010	Title I Grants to Local Educational Agencies	<u>\$ 841,439</u>
84.027	Special Education – Grants to States	571,952
84.173	Special Education – Preschool Grants	<u>5,873</u>
		<u>\$ 577,825</u>
10.553	School Breakfast Program	359,714
10.555	National School Lunch Program	<u>1,004,124</u>
		<u>\$1,363,838</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee _____ yes x no