

Millington Municipal Schools Board of Education

Audited Financial Statements

Year Ended June 30, 2018



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Millington Municipal Schools Board of Education

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Independent Auditors' Report

Board of Education
Millington Municipal Schools
Millington, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general purpose fund, each major fund, and fiduciary funds of the Millington Municipal Schools Board of Education (the "School"), which are funds of the City of Millington, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general purpose fund, each major fund and fiduciary funds, of the Millington Municipal Schools Board of Education as of June 30, 2018, and the respective changes in financial position and budgetary comparison for the general purpose fund, federal projects fund, and cafeteria fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of the Matter

Financial reporting entity

As discussed in Note 1, the financial statements of the Millington Municipal Schools Board of Education are intended to present the financial position and the changes in financial position of only the governmental activities, each major fund, and fiduciary funds of the City of Millington, Tennessee, that is attributable to the transactions of the Millington Municipal Schools Board of Education. They do not purport to, and do not present fairly the financial position of the City of Millington, Tennessee as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 1(Q) to the financial statements, net position as of June 30, 2017, was restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Schools' basic financial statements. The statement of revenues, expenditures, and changes in fund balance-budget and actual-capital projects fund, organizational chart and roster of school officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards and related notes are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The organization chart and roster of school officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide an assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Memphis, Tennessee
December 7, 2018**

**Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018**

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, 2018.

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

Financial Highlights

Highlights of the financial statements for the year ended June 30, 2018, for Millington Municipal Schools are as follows:

- **Net position** – Total governmental assets and deferred outflows at year-end were \$63.0 million and exceeded liabilities and deferred inflows of resources by \$54.7 million (net position). Of the total net position, \$6.1 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Net position increased from fiscal year 2017 to fiscal year 2018 by \$2.5 million.
- **Fund balances** – At the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$8,602,650, of which \$3,962,421 (unassigned fund balance) may be used to meet the School's spending requirements, \$4,180,084 are assigned to capital projects, \$456,263 are restricted for instruction, instructional support and nutrition, and \$3,882 is nonspendable. The School has four funds: The General Purpose Fund, Federal Projects Fund, Cafeteria Fund, and Capital Projects Fund. The General Fund balance was \$4.0 million. The Federal Projects Fund balance was \$0. The Cafeteria Fund Balance was \$458,483. The Capital Project Fund balance was \$4.2 million.
- **General purpose school fund** – This was the fourth full year of school operations. In fiscal year 2017, the School had a fund balance of \$5.0 million. During the current year, fund balance for the General Purpose School Fund was \$4.0 million, or 17% of current year expenditures.
- **Capital assets** – The School received \$407,608 from Shelby County for Capital projects, and \$3.0 million was transferred in from the General Purpose School Fund.
- **Cafeteria fund** – In fiscal year 2018, the Cafeteria Fund balance increased \$106,295. The Cafeteria Fund balance was \$458,483, or 31% of current year expenditures.
- **Debt service** – A \$230,219 payment was made to reduce the settlement obligation due to the Shelby County Board of Education.

Summary of Organization

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

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

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

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

**Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018**

(WFTEADA). For fiscal year 2017 the WFTEADA was 1.80% and for fiscal year 2018 it was 1.75%. The City of Millington Board of Mayor and Aldermen annually approves the School's appropriations for its governmental funds.

Overview of the Annual Financial Statements

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

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

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

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

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

The district-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

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

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Management's Discussion & Analysis
Year Ended June 30, 2018**

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Fiduciary funds – The Schools maintains two fiduciary funds. Fiduciary funds account for assets held in a trustee capacity or as an agent for individuals. The School uses a fiduciary fund to account for the activities and accumulation of resources for payments to qualified participants and investments held by external organizations. The OPEB fund accounts for transactions related solely to retiree group medical benefits. The student activity fund accounts for all money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school. The basic fiduciary fund financial statements can be found on pages 31 - 33 of this report.

Budget to Actual Comparison – The School adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Purpose School Fund, the Federal Projects Fund, the Cafeteria Fund and the Capital Projects Fund to demonstrate compliance with this budget. Budget to actual comparison for the major funds can be found on pages 16 through 30 and page 66 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 34 through 56 of this report.

Required Supplementary Information (RSI): This information provides a schedule of proportionate share of net pension assets and of contributions of the Tennessee Consolidated Retirement System ("TCRS") plan for the Schools' non-teaching personnel. Teachers are considered state employees for TCRS retirement purposes. The RSI can be found on pages 57 through 66 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$54.7 million at June 30, 2018.

Condensed Statement of Net Position June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets	\$ 10,767,923	\$ 8,708,819
Capital assets - net	48,031,437	47,886,150
Pension assets – net	<u>184,517</u>	<u>37,145</u>
Total assets	58,983,877	56,632,114
Deferred outflow of resources	4,008,317	5,657,303
Liabilities:		
Current Liabilities	4,447,742	2,687,235
Long-term liabilities	<u>1,410,256</u>	<u>1,592,181</u>
Total liabilities	5,857,998	4,279,416
Deferred inflows of resources	2,401,390	2,133,121
Net position:		
Invested in capital assets	48,031,437	47,886,150
Restricted	640,760	373,953
Unrestricted	<u>6,060,589</u>	<u>7,616,777</u>
Total net position	<u>\$ 54,732,806</u>	<u>\$ 55,876,880</u>

Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018

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 \$2.5 million during fiscal year 2018. The following discussion and analysis on governmental activities focuses on these changes.

Governmental Activities – The key factors in the decrease of the School's net position for the fiscal years ended June 30, 2018 and 2017, are as follows:

Condensed Statement of Changes in Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 85,364	\$ 86,820
Operating grants and contributions	17,636,000	17,564,138
General revenues:		
Taxes	10,551,363	11,041,536
Intergovernmental revenue	500,000	1,942,820
Other revenues	<u>267,501</u>	<u>488,075</u>
Total revenues	29,040,228	31,123,388
Expenses:		
Instructional	14,146,798	15,239,935
Support services	9,776,622	9,592,870
Non-instructional (pre-school)	662,078	740,133
Food service	1,559,300	1,581,330
Capital outlay	394,564	223,393
Interest charges	<u>48,294</u>	<u>52,990</u>
Total Expenses	26,587,656	27,430,651
Change in net position	<u>2,452,572</u>	<u>3,692,738</u>
Net position, beginning of year, before restatement	55,876,880	52,184,142
Restatement	(3,596,646)	
Net position, beginning of year, after restatement	52,280,234	52,184,142
Net position, end of year	<u>\$ 54,732,806</u>	<u>\$ 55,876,880</u>

The significant factors contributing toward the fiscal year 2018 \$2.5 million increase in net position was the increase in current assets to fund the construction of the new Performing Arts Center.

**Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018**

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

The School's BEP allocation for fiscal year 2018 was \$12,981,000. It was based on the student Average Daily Membership (ADM) of 2,540 students during the fiscal year 2017. The BEP allocation was 73.31% for Instructional Funding, 79.44% for Classroom Funding and 52.36% for Non-Classroom Funding. The required local matching funds were 26.69%, 20.56% and 47.64%, respectively. The total required local match was \$5,894,000. The percentages used in the BEP formula will vary from what is actually spent in those categories for several reasons. For example, the BEP formula provides one rate for teacher salaries that does not include the cost of local salary supplements. As a result, the actual percent of funds spent in the instructional or classroom category may be greater than the percentage of the BEP formula.

Local taxes and contributions from the Shelby County government consisting of Shelby County property taxes, local option sales taxes, mixed drink tax, wheel tax, and general fund transfers were \$10,207,412 in fiscal year 2018. Shelby County allocated \$407,608 for capital improvement projects.

The City of Millington transferred \$500,000 for operations.

Expenses. Instructional expenses represent the largest category for fiscal year 2018 with expenses of \$14,146,798, which is 53% of total expenses for fiscal year 2018.

Financial Analysis of School Funds

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

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

As of June 30, 2018, the School's governmental funds reported a combined fund balance of \$8,602,650, an increase of \$839,458 from the previous year. Approximately 64% or \$3,962,421 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. \$3,882 is classified as non-spendable for prepaid expenses and cafeteria inventory, \$456,263, is restricted for a specific purpose per enabling legislation, and \$4,180,084 is assigned for a specific purpose per action by the Board of Education for Capital Projects.

General Purpose School Fund. The General Purpose School Fund is the main operating fund of the School. At June 30, 2018, unassigned fund balance was \$3,957,113 while total fund balance was \$3,964,083. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 17% of total general purpose school fund expenditures. The total fund balance represents 17% of total general purpose school fund expenditures.

The fund balance of the School's General Purpose School Fund decreased by \$1,027,316 during the current fiscal year. A few highlights of the General Purpose School Fund are as follows:

- Revenues and other net financing sources were \$25,003,207 for fiscal year 2018 and \$24,909,899 for fiscal year 2017, with a net increase of \$93,308. The major factors contributing to the increase in fiscal year 2018 was the increase in BEP funding from the state for pay increases.

**Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018**

- Expenditures and other uses were \$26,030,523 for fiscal year 2018 and \$24,290,866 for fiscal year 2017, an increase on \$1,739,657. The primary factor for the increase was the transfer of \$3,000,000 to the Capital Projects Fund for the construction of the Performing Arts Center.
- Instructional expenditures represent 50.2% of the total expenditures and other uses for fiscal 2018.

Federal Projects Fund. The Federal Projects Fund, which accounts for a majority of the School's federal grants, reported revenues and expenditures of \$2,115,192 for fiscal year 2018 compared to \$2,358,852 for fiscal year 2017. This was a decrease of \$243,660.

Cafeteria Fund. The Cafeteria operates on reimbursements from the federal government and food sales. The schools participate in the Federal Community Eligibility Provision that provides meals at no expense to the students and reimburses the schools at a set rate per meal. Additional federal funding is provided for commodities to the schools. As a result of food sales in the form of adult meals and additional student meals, the fund balance increased \$106,295 and was \$458,483 at the end of fiscal year 2018.

Capital Projects Fund. The Capital Projects Fund received \$3,407,608 from revenues and other financing sources. The Shelby County government provided \$407,608 and the Schools transferred in \$3,000,000 from the general fund. The fund balance is \$4,180,084 which is assigned to capital projects.

BUDGETARY HIGHLIGHTS

There was a net increase of \$919,245 in budgetary amendments to the General Purpose Fund's expenditures during fiscal year 2018. This was primarily due to transfer of funds to the Capital Projects Fund and an increase in revenue from the state during the year allowing for the purchase of equipment for the classrooms.

The General Purpose Fund balance decreased \$1,027,316. Current year expenditures in instructional and support services were \$1.6 million less than budgeted and \$3.0 million was transferred to the Capital Projects Fund.

Actual revenues and other financing sources were over the budgeted amounts by \$323,682 in the general fund. The significant variance occurred in Local County Revenue. This was primarily due to an increase in local sales tax revenue.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2018, was \$52,969,661 with accumulated depreciation of \$4,938,224 resulting in a net book value of \$48,031,437.

The majority of capital asset activity is due to the construction of the Performing Arts Center.

Condensed Statement of Capital Assets

	<u>2018</u>	<u>2017</u>
Land	\$ 815,000	\$ 815,000
Land Improvements	40,600	40,600
Buildings	49,632,761	49,632,761
Equipment	534,762	433,593
Construction in progress	<u>1,946,538</u>	<u>765,745</u>
	52,969,661	51,687,699
Less accumulated depreciation	<u>(4,938,224)</u>	<u>(3,801,549)</u>
Total assets	<u>\$ 48,031,437</u>	<u>\$ 47,886,150</u>

**Millington Municipal Schools Board of Education
Management's Discussion & Analysis
Year Ended June 30, 2018**

Enrollment

Fiscal year 2018 was the fourth 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 2018 was 2,492 compared to 2,540 at the end of fiscal year 2017. Management is closely monitoring various factors affecting enrollment.

Economic Factors and Next Year's Budget

During the preparation of the fiscal year 2019 budget, the following major assumptions were used.

- The fiscal year 2019 budgeted expenditures for the General Purpose Fund are \$23.3 million. This is a 2% increase over fiscal year 2018 expenditures of \$22.8 million. The School anticipates transferring \$1,000,000 to the Capital Projects Fund in fiscal year 2019.
- Compensation and benefits budgeted in fiscal year 2019 for employees are \$18.3 million. This is a 5% increase over fiscal year 2018 expenditures of \$17.5 million. The increase is primarily due to a pay increase for teachers, and an increase in retirement contributions.
- For fiscal year 2019, the TCRS pension employer contribution rate increased from 9.08% to 10.46% for legacy certified (teachers) staff and remained at 9% for certified (teachers) staff hired after July 1, 2014. The rate remained 8.93% for non-certified (support) staff.
- A step increase of \$900 is projected for teachers on steps 0 through 17 of the salary schedule.
- The construction of a new Performing Arts Center for the High School will be completed. The estimated costs for fiscal year 2019 is \$6.2 million.

FINAL COMMENTS

The Millington Municipal School District worked through many challenges and unknowns in the fourth year of operations to provide a quality public education for students. The major unknowns that continue to impact the budget were the estimates of the number of students who would be enrolled. At the end of this year a trend is developing that will assist in the budgeting process.

CONTACTING THE SCHOOL

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

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

Millington Municipal Schools Board of Education
Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,963,418
Short-term Investments	2,000,000
Receivables:	
Accounts receivable	17,539
Due from other governments	1,783,084
Inventory	2,340
Prepaid expenses	1,542
	<hr/>
Total current assets	10,767,923

Capital assets:

Nondepreciable assets:	
Land	815,000
Construction in progress	1,946,538
Capital assets being depreciated:	
Building and Improvements	49,632,761
Other Improvements	40,600
Equipment	534,762
Accumulated depreciation	(4,938,224)
	<hr/>
Total capital assets	48,031,437

Net pension asset	<hr/> 184,517
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Total assets	<hr/> 58,983,877
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Deferred outflows of resources:

Actuarial losses - pension	2,739,136
Pension contributions submitted after measurement date	1,269,181
	<hr/>
Total deferred outflows of resources	4,008,317

LIABILITIES

Accounts payable and accrued liabilities	1,628,493
Unearned revenue	1,139
Other postemployment benefits	2,587,891
Settlement liability:	
Due within one year	230,219
Due in more than one year	1,410,256
	<hr/>
Total liabilities	5,857,998

Deferred inflow of resources:

Actuarial gains - pension	1,963,798
Actuarial gains - OPEB	437,592
	<hr/>
Total deferred inflows of resources	2,401,390

NET POSITION

Investment in capital assets	48,031,437
Restricted:	
Net pension asset	184,517
Grants and other	456,263
Unrestricted	6,060,589
	<hr/>
Total net position	\$ 54,732,806

Millington Municipal Schools Board of Education
Statement of Activities
Year Ended June 30, 2018

				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	\$ 14,146,798	\$ -	\$ 16,481,038	\$ 2,334,240
Support services	9,776,622	-	-	(9,776,622)
Non-instructional services	662,078	-	-	(662,078)
Capital outlay	394,564	-	-	(394,564)
Food service	1,559,300	85,364	1,562,570	88,634
Interest charges	48,294	-	-	(48,294)
	<u>\$ 26,587,656</u>	<u>\$ 85,364</u>	<u>\$ 18,043,608</u>	<u>(8,458,684)</u>
Total				
General revenues:				
Taxes				10,143,755
General contributions				500,000
Other revenues				<u>267,501</u>
Total general revenues				<u>10,911,256</u>
Change in net position				<u>2,452,572</u>
Net position, beginning of year, before restatement				<u>55,876,880</u>
Restatement				<u>(3,596,646)</u>
Net position, beginning of year, after restatement				<u>52,280,234</u>
Net position, ending of year				<u>\$ 54,732,806</u>

Millington Municipal Schools Board of Education
Balance Sheet – Governmental Funds
June 30, 2018

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,819,022	\$ -	\$ 450,832	\$ 4,693,564	\$ 6,963,418
Short-Term Investments	2,000,000	-	-	-	2,000,000
Receivables:					
Accounts receivable	17,539	-	-	-	17,539
Due from other governments	1,438,104	338,530	6,450	-	1,783,084
Due from other funds	264,506	-	-	-	264,506
Inventory	-	-	2,340	-	2,340
Prepaid expenses	1,542	-	-	-	1,542
Total assets	<u>\$ 5,540,713</u>	<u>\$ 338,530</u>	<u>\$ 459,622</u>	<u>\$ 4,693,564</u>	<u>\$ 11,032,429</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,040,989	74,024	\$ -	513,480	\$ 1,628,493
Due to other funds	-	264,506	-	-	264,506
Total liabilities	<u>1,040,989</u>	<u>338,530</u>	<u>-</u>	<u>513,480</u>	<u>1,892,999</u>
Deferred Inflow of Resources					
Unavailable revenue	<u>535,641</u>	<u>-</u>	<u>1,139</u>	<u>-</u>	<u>536,780</u>
FUND BALANCES					
Nonspendable	1,542	-	2,340	-	3,882
Restricted	5,428	-	450,835	-	456,263
Assigned	-	-	-	4,180,084	4,180,084
Unassigned	<u>3,957,113</u>	<u>-</u>	<u>5,308</u>	<u>-</u>	<u>3,962,421</u>
Total fund balances	<u>3,964,083</u>	<u>-</u>	<u>458,483</u>	<u>4,180,084</u>	<u>8,602,650</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,540,713</u>	<u>\$ 338,530</u>	<u>\$ 459,622</u>	<u>\$ 4,693,564</u>	<u>\$ 11,032,429</u>
Fund balance, total governmental funds					\$ 8,602,650
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds					48,031,437
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					535,641
Settlement liability not due and payable in the current period					(1,640,475)
Deferred pension contributions					1,269,181
Pension asset and related deferred inflows and outflows					959,855
OPEB liability and related deferred inflows and outflows					<u>(3,025,483)</u>
Net Position of Governmental Activities					<u>\$ 54,732,806</u>

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2018

	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
County taxes	\$ 10,163,065	\$ -	\$ -	\$ -	\$ 10,163,065
Other local taxes	44,347	-	-	-	44,347
Federal funds	147,612	2,115,192	1,562,570	-	3,825,374
Other federal revenue	270,789	-	-	-	270,789
State education funds	13,474,344	-	-	-	13,474,344
Other state revenue	49,755	-	15,738	-	65,493
Other local revenue	-	-	-	-	-
General contributions from:					
Shelby County Government	-	-	-	407,608	407,608
City of Millington	500,000	-	-	-	500,000
Charges for services	-	-	85,364	-	85,364
Other revenue	265,578	-	1,923	-	267,501
Total revenues	<u>24,915,490</u>	<u>2,115,192</u>	<u>1,665,595</u>	<u>407,608</u>	<u>29,103,885</u>
Expenditures:					
Instruction	13,059,864	1,299,818	-	-	14,359,682
Support services	9,209,023	567,599	-	-	9,776,622
Non-instructional services	502,020	160,058	-	-	662,078
Capital outlay	29,397	-	-	1,647,129	1,676,526
Food services	-	-	1,559,300	-	1,559,300
Debt service	230,219	-	-	-	230,219
Total expenditures	<u>23,030,523</u>	<u>2,027,475</u>	<u>1,559,300</u>	<u>1,647,129</u>	<u>28,264,427</u>
Excess of revenues over (under) expenditures	<u>1,884,967</u>	<u>87,717</u>	<u>106,295</u>	<u>(1,239,521)</u>	<u>839,458</u>
Other financing sources (uses):					
Transfer in	87,717	-	-	3,000,000	3,087,717
Transfer out	<u>(3,000,000)</u>	<u>(87,717)</u>	<u>-</u>	<u>-</u>	<u>(3,087,717)</u>
	<u>(2,912,283)</u>	<u>(87,717)</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
Net change in fund balances	(1,027,316)	-	106,295	1,760,479	839,458
Fund balances, beginning of year	<u>4,991,399</u>	<u>-</u>	<u>352,188</u>	<u>2,419,605</u>	<u>7,763,192</u>
Fund balances, ending of year	<u>\$ 3,964,083</u>	<u>\$ -</u>	<u>\$ 458,483</u>	<u>\$ 4,180,084</u>	<u>\$ 8,602,650</u>

See accompanying notes.

Millington Municipal Schools Board of Education
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balance, total governmental funds	\$ 839,458
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	1,281,962
Depreciation expense	(1,136,675)
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.	(63,657)
Principal portion of long-term settlement liability is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	181,925
Contributions made to pension plans after the measurement date (June 30, 2017) will not be recognized as an increase in the net pension asset until the following measurement date (June 30, 2018), which will be used to report the net pension liability in the next fiscal year.	1,269,181
OPEB 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.	904,658
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.	(824,280)
Change in net position of governmental activities	<u>\$ 2,452,572</u>

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Purpose Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
<u>Local taxes:</u>				
County property tax:				
Current property tax	\$ 6,463,364	\$ 6,356,000	\$ 6,541,833	\$ 185,833
Trustee's collection - prior yrs	258,689	115,000	113,644	(1,356)
Circuit clerk collection prior yrs	82,213	78,000	48,008	(29,992)
Payments in lieu of taxes	138,734	108,000	112,214	4,214
Local option sales tax	2,450,000	2,680,000	2,822,322	142,322
Wheel tax	490,248	583,000	525,043	(57,957)
Other local tax:				
Mixed drink tax	28,000	33,000	44,348	11,348
Total local taxes	9,911,248	9,953,000	10,207,412	254,412
<u>Federal government:</u>				
E-rate funding	225,000	225,000	270,789	45,789
Public Law 874 - Maintenance & Operation	-	48,582	48,582	-
Rotc reimbursement	96,886	96,886	99,030	2,144
Total federal government	321,886	370,468	418,401	47,933
<u>State of Tennessee:</u>				
Regular education funds:				
Basic education program	12,300,000	12,939,000	12,981,000	42,000
Early childhood education	267,844	278,584	268,121	(10,463)
Other state education funds	-	14,700	13,157	(1,543)
Coordinated school health	80,000	80,000	79,773	(227)
Career ladder program	34,400	34,400	45,805	11,405
Other state revenue:				
Special education grant to state	25,000	8,400	8,326	(74)
CTE equipment grant to state	-	79,108	78,161	(947)
Safe school grant	13,330	13,190	13,190	-
Other state revenues	29,612	29,612	36,566	6,954
Total state of Tennessee	12,750,186	13,476,994	13,524,099	47,105
<u>General contributions:</u>				
From City of Millington	500,000	580,000	500,000	(80,000)
Total general contributions	500,000	580,000	500,000	(80,000)
<u>Other revenue:</u>				
Recurring items:				
Investment income	3,500	3,500	3,864	364
Lease/rentals	8,500	22,000	27,454	5,454
Nonrecurring items:				
Damages recovered from individuals	-	-	3,120	3,120
Contributions and gifts	-	-	2,400	2,400
Other - Donations	-	4,627	5,440	813
Insurance Recovery	-	8,936	13,300	4,364
Other local revenue	214,960	210,000	210,000	-
Total other revenue	226,960	249,063	265,578	16,515
Total revenue	23,710,280	24,629,525	24,915,490	285,965

See accompanying notes.

Millington Municipal Schools Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – General Purpose Fund

(Continued)

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures:</u>				
<u>Instruction:</u>				
Regular instruction:				
Teachers	\$ 7,255,544	\$ 7,155,594	\$ 7,130,537	\$ 25,057
Career ladder program	20,000	20,000	18,000	2,000
Educational assistant	115,757	120,896	115,123	5,773
Other salaries & wages	160,000	267,900	231,062	36,838
Social security	468,179	474,683	439,539	35,144
State retirement	685,658	695,183	681,490	13,693
Life insurance	30,960	30,960	21,468	9,492
Medical insurance	711,378	701,378	692,688	8,690
Employer medicare	109,495	111,016	103,023	7,993
Maintenance & repair equipment	6,000	5,750	3,710	2,040
Contracts for substitutes certified	225,000	208,288	156,566	51,722
Contracts for substitutes non-certified	2,335	2,335	295	2,040
Instructional supplies & materials	124,200	131,876	96,969	34,907
Textbooks	115,095	265,295	231,894	33,401
Other supplies & materials	16,000	18,500	11,155	7,345
Fee waiver	20,000	18,900	1,034	17,866
Other charges	42,400	62,400	44,487	17,913
Regular instruction equipment	177,000	468,302	427,650	40,652
Total regular instruction	10,285,001	10,759,256	10,406,690	352,566
Alternative school:				
Teacher	64,314	64,314	64,777	(463)
Homebound teacher	15,000	15,000	5,038	9,962
Education assistant	22,730	23,730	22,283	1,447
Social security	6,327	6,327	4,929	1,398
State retirement	9,266	9,266	7,904	1,362
Life insurance	418	418	263	155
Medical insurance	21,503	21,503	19,925	1,578
Employer medicare	1,480	1,480	1,153	327
Contracts for substitutes certified	-	1,000	1,112	(112)
Contracts for substitutes non-certified	-	1,000	606	394
Other contracted services	15,000	15,000	12,107	2,893
Instructional supplies & materials	500	500	464	36
Total alternative school	156,538	159,538	140,561	18,977
Special education program:				
Teacher	844,623	815,623	770,405	45,218
Homebound teacher	3,000	3,000	2,519	481
Ed assistant salary	213,457	190,308	178,106	12,202
Other salaries & wages	4,000	4,000	300	3,700
Social security	66,035	67,528	54,533	12,995
State retirement	96,709	95,216	86,585	8,631
Life insurance	4,367	4,367	2,868	1,499
Medical insurance	163,709	133,167	120,024	13,143
Employer medicare	15,444	15,444	12,754	2,690

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Purpose Fund
(Continued)
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Maintenance & repair equipment	1,100	1,100	260	840
Contracts for substitutes certified	14,234	27,744	18,369	9,375
Contracts for substitutes non-certified	1,394	2,684	2,028	656
Other contracted services	169,000	203,000	202,593	407
Instructional supplies & materials	4,700	3,700	195	3,505
Other supplies & materials	1,500	1,500	145	1,355
Total special education	1,603,272	1,568,381	1,451,684	116,697
Vocational education:				
Teacher	791,107	789,107	780,632	8,475
Other salaries & wages	-	3,750	3,263	487
Social security	49,049	49,282	47,296	1,986
State retirement	71,832	72,172	71,742	430
Life insurance	3,244	3,244	2,267	977
Medical insurance	49,040	43,972	38,068	5,904
Employer medicare	11,471	11,525	11,061	464
Contracts for substitutes certified	-	18,300	18,221	79
Instructional supplies & materials	2,400	2,400	2,326	74
Textbooks	2,000	3,500	3,428	72
Other supplies & materials	7,000	5,500	4,457	1,043
Vocational equipment	-	79,108	78,168	940
Total vocational education	987,143	1,081,860	1,060,929	20,931
Total instructional	13,031,954	13,569,035	13,059,864	509,171
<u>Support services:</u>				
Health services:				
Other salaries & wages	56,148	56,148	56,148	-
Social security	3,481	3,481	3,461	20
State retirement	5,099	5,099	5,014	85
Life insurance	230	230	170	60
Employer medicare	814	814	809	5
Travel	1,500	-	-	-
Other contracted services	154,350	160,350	159,784	566
Other supplies & materials	5,000	6,855	6,813	42
In-service/staff development	4,000	5,518	5,518	-
Other charges	5,000	5,000	1,152	3,848
Health equipment	3,729	3,729	3,712	17
Total health care services	239,351	247,224	242,581	4,643
Other student support:				
Guidance personnel	430,118	430,118	406,857	23,261
Social worker	43,500	43,500	43,500	-
Social security	29,365	29,365	26,447	2,918
State retirement	43,004	43,004	41,146	1,858
Life insurance	1,942	1,942	1,358	584
Medical insurance	41,138	49,517	47,334	2,183
Employer medicare	6,868	6,868	6,185	683
Contracts with govt agencies safe schools	13,330	13,190	13,190	-

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Purpose Fund
(Continued)
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Postal charges	320	770	670	100
Travel	1,750	-	-	-
Other supplies & materials	5,250	4,850	2,437	2,413
In-service/staff development	785	4,885	1,371	3,514
Other charges	8,100	4,100	1,935	2,165
Other equipment	3,080	5,030	-	5,030
Total other student support	628,550	637,139	592,430	44,709
Regular instructional support:				
Supervisor	277,000	236,423	232,386	4,037
Career ladder program	5,400	5,400	10,200	(4,800)
Librarian(s)	267,241	245,453	245,151	302
Other salaries & wages	-	3,500	3,400	100
Social security	34,078	34,295	28,771	5,524
State retirement	49,909	50,227	44,372	5,855
Life insurance	2,253	2,253	1,375	878
Medical insurance	54,012	49,801	42,134	7,667
Employer medicare	7,969	8,020	6,790	1,230
Maintenance & repair equipment	500	500	97	403
Postal charges	100	100	-	100
Travel	2,975	-	-	-
Contracts for substitutes certified	4,870	13,820	11,954	1,866
Other contracted services	186,845	193,545	110,406	83,139
Library books/media	20,800	19,800	18,781	1,019
Periodicals	3,702	3,552	1,077	2,475
Other supplies & materials	25,325	23,225	4,979	18,246
In-service/staff development	3,650	10,325	8,158	2,167
Other charges	20,280	20,280	14,680	5,600
Other equipment	1,500	1,500	-	1,500
Total regular instructional support	968,409	922,019	784,711	137,308
Alternative education support:				
Supervisor	47,500	47,500	47,500	-
Social security	2,945	2,945	2,730	215
State retirement	4,267	4,267	4,313	(46)
Life insurance	195	195	142	53
Medical insurance	6,333	6,333	5,803	530
Employer medicare	689	689	639	50
Travel	1,500	-	-	-
Other supplies & materials	200	200	154	46
In-service/staff development	500	2,000	1,748	252
Total alternative education support	64,129	64,129	63,029	1,100
Special education support:				
Supervisor	47,500	47,500	47,500	-
Psychological personnel	72,037	72,037	72,037	-
Secretary(s)	18,870	18,870	18,999	(129)
Clerical personnel	124,038	130,605	124,140	6,465
Social security	15,102	15,102	14,205	897

See accompanying notes.

Millington Municipal Schools Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – General Purpose Fund

(Continued)

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
State retirement	21,822	21,822	21,977	(155)
Life insurance	997	997	735	262
Medical insurance	29,764	29,764	25,086	4,678
Employer medicare	3,806	3,806	3,598	208
Postal charges	300	300	119	181
Travel	3,500	-	-	-
Other contracted services	87,770	87,770	37,809	49,961
Other supplies & materials	3,000	3,000	2,973	27
In-service/staff development	5,000	6,500	3,702	2,798
Other equipment	5,000	7,000	5,958	1,042
Total special education support	438,506	445,073	378,838	66,235
Vocational educational support:				
Contracts with other school systems	25,860	25,860	25,548	312
Total vocational education support	25,860	25,860	25,548	312
Technology:				
Supervisor	88,400	91,914	90,092	1,822
Computer programmer	139,590	146,192	147,630	(1,438)
Other salaries & wages	-	-	23,308	(23,308)
Social security	14,135	14,135	15,549	(1,414)
State retirement	20,492	20,492	23,178	(2,686)
Life insurance	935	935	789	146
Medical insurance	33,393	28,797	20,235	8,562
Employer medicare	3,306	3,306	3,637	(331)
Consultants	4,800	2,400	2,400	-
Maintenance & repair equipment	16,000	27,264	26,445	819
Internet connectivity	250,500	291,789	291,789	-
Travel	2,500	2,600	2,600	-
Cabling	5,000	5,736	3,871	1,865
Software	63,000	62,266	60,357	1,909
Other supplies & materials	4,000	3,900	3,477	423
In-service/staff development	1,000	5,062	5,049	13
Other equipment	5,000	28,534	23,756	4,778
Total technology	652,051	735,322	744,162	(8,840)
Board of education:				
Board and committee members	24,400	29,400	29,200	200
Social security	1,513	1,913	1,810	103
State retirement	2,179	2,179	696	1,483
Retiree health insurance	6,889	13,177	13,177	-
Employer medicare	354	431	423	8
OPEB contribution	50,000	100,000	-	100,000
Audit services	43,000	47,175	47,175	-
Dues & membership	8,000	8,000	5,873	2,127
Legal services	40,000	38,000	29,051	8,949
Travel	8,000	-	-	-
Other contracted services	10,000	14,800	14,500	300
Other supplies & materials	600	600	285	315

See accompanying notes.

Millington Municipal Schools Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – General Purpose Fund

(Continued)

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Liability insurance	26,000	23,000	22,221	779
Workmen's compensation insurance	72,000	51,000	50,974	26
In-service/staff development	6,000	8,200	5,367	2,833
Total board of education	<u>298,935</u>	<u>337,875</u>	<u>220,752</u>	<u>117,123</u>
Office of the director of schools:				
Director of schools	138,000	138,000	138,000	-
Secretary(s)	50,561	50,561	52,380	(1,819)
Clerical personnel	40,500	37,708	37,708	-
Other salaries & wages	-	12,800	12,800	-
Social security	14,203	14,997	13,418	1,579
State retirement	20,662	21,824	21,383	441
Life insurance	939	939	532	407
Medical insurance	29,011	33,751	33,751	-
Employer medicare	3,321	3,507	3,371	136
Other fringe benefits	4,800	4,800	4,800	-
Dues & membership	4,320	4,320	1,884	2,436
Postal charges	2,000	2,000	1,911	89
Travel	3,600	-	-	-
Other contracted services	10,000	11,000	10,827	173
Office supplies	4,000	4,000	3,978	22
Other supplies & materials	500	500	461	39
In-service/staff development	1,000	4,600	780	3,820
Other charges	4,000	4,000	2,875	1,125
Total office of director of schools	<u>331,417</u>	<u>349,307</u>	<u>340,859</u>	<u>8,448</u>
Office of principal:				
Principal(s)	423,805	423,805	429,583	(5,778)
Career ladder program	7,000	7,000	8,000	(1,000)
Accountant/bookkeeper	133,264	137,008	130,858	6,150
Assistant principal(s)	566,088	568,149	568,527	(378)
Secretary(s)	31,228	32,228	30,702	1,526
Clerical personnel	299,257	310,465	302,656	7,809
Other salaries & wages	49,770	70,070	79,355	(9,285)
Social security	93,645	94,904	90,266	4,638
State retirement	137,145	138,988	139,589	(601)
Life insurance	6,193	6,193	4,376	1,817
Medical insurance	141,584	179,328	178,064	1,264
Employer medicare	21,902	22,196	21,111	1,085
Communications	650	650	135	515
Dues & memberships	3,945	4,080	3,076	1,004
Postal charges	2,740	4,440	4,208	232
Travel	1,000	-	-	-
Other contracted services	1,470	1,470	319	1,151
Office supplies	10,500	10,500	4,863	5,637
Other supplies & materials	950	950	110	840
In-service/staff development	2,900	3,900	2,774	1,126
Other charges	3,800	3,700	2,115	1,585
Administrative equipment	11,450	14,350	11,208	3,142
Total office of principal	<u>1,950,286</u>	<u>2,034,374</u>	<u>2,011,895</u>	<u>22,479</u>

See accompanying notes.

Millington Municipal Schools Board of Education

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – General Purpose Fund

(Continued)

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fiscal services:				
Supervisor	79,050	79,050	79,050	-
Bookkeeper(s)	105,500	65,000	65,000	-
Purchasing personnel	83,348	139,803	124,252	15,551
Social security	16,609	16,609	15,558	1,051
State retirement	23,923	23,923	23,959	(36)
Life insurance	1,098	1,098	808	290
Medical insurance	31,961	37,185	36,696	489
Employer medicare	3,885	3,885	3,639	246
Dues & membership	150	150	100	50
Travel	3,500	-	-	-
Other contracted services	21,038	30,038	28,906	1,132
Office supplies	600	1,600	1,263	337
Other supplies & materials	1,600	1,600	1,516	84
In-service/staff development	2,000	6,000	5,514	486
Total fiscal services	374,262	405,941	386,261	19,680
Human services:				
Supervisor	71,910	71,910	64,930	6,980
Clerical personnel	85,696	85,696	90,699	(5,003)
Social security	9,773	9,773	8,965	808
State retirement	14,074	14,074	13,606	468
Life insurance	646	646	372	274
Medical insurance	21,406	21,406	16,838	4,568
Unemployment compensation	-	1,000	973	27
Employer medicare	2,285	2,285	2,097	188
Advertising	800	800	708	92
Dues & memberships	340	340	300	40
Travel	2,500	-	-	-
Other contracted services	18,500	18,500	9,648	8,852
Office supplies	6,000	6,000	4,975	1,025
In-service/Staff development	2,000	4,500	3,315	1,185
Other charges	800	800	489	311
Administrative equipment	2,000	1,000	-	1,000
Total human services	238,730	238,730	217,915	20,815
Plant operations:				
Supervisor	71,400	71,400	71,640	(240)
Secretary(s)	40,500	40,500	40,501	(1)
Plant Manager(s)	211,446	225,619	209,408	16,211
Social security	20,047	20,047	18,855	1,192
State retirement	29,002	29,002	28,714	288
Life insurance	1,325	1,325	921	404
Medical insurance	34,967	29,365	29,061	304
Employer medicare	4,689	4,689	4,410	279
Janitorial services	501,484	455,247	455,247	-
Maintenance & repair - equipment	250	250	250	-
Travel	2,000	229	229	-
Other contracted services	28,840	28,840	21,936	6,904

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Purpose Fund
(Continued)
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Custodial supplies	1,500	1,500	700	800
Electricity	679,000	729,000	625,074	103,926
Water & sewer	61,400	71,145	52,524	18,621
Other supplies & materials	1,800	1,800	1,266	534
Building & content insurance	106,000	81,000	80,459	541
In-service/staff development	400	2,171	1,846	325
Plant operation equipment	<u>2,000</u>	<u>2,000</u>	<u>387</u>	<u>1,613</u>
Total plant operations	1,798,050	1,795,129	1,643,428	151,701
Plant maintenance:				
Maintenance personnel	89,500	89,500	75,699	13,801
Social security	5,549	5,549	4,533	1,016
State retirement	4,554	4,554	4,581	(27)
Life insurance	209	209	153	56
Medical insurance	4,800	4,800	4,568	232
Employer Medicare	1,298	1,298	1,060	238
Maintenance & repair - buildings	100,500	120,500	105,311	15,189
Maintenance & repair - equipment	51,100	71,100	64,352	6,748
Maintenance & repair - vehicle	1,000	1,000	200	800
Other contracted services	55,360	55,360	41,678	13,682
Equipment & machinery parts	6,000	6,000	4,171	1,829
Gasoline	2,900	3,354	3,065	289
Other supplies & material	3,650	3,900	2,356	1,544
Vehicle & equip insurance	800	-	-	-
Other charges	3,500	3,500	151	3,349
Administrative equipment	650	650	-	650
Maintenance equipment	<u>1,750</u>	<u>1,750</u>	<u>550</u>	<u>1,200</u>
Total plant maintenance	333,120	373,024	312,428	60,596
Pupil transportation:				
Contracts with private agencies	1,100,000	1,024,000	1,004,602	19,398
Travel	500	-	-	-
Other contracted services	4,800	4,800	4,600	200
Diesel fuel	110,000	116,000	115,231	769
Office supplies	300	300	186	114
In-service/staff development	<u>150</u>	<u>650</u>	<u>-</u>	<u>650</u>
Total pupil transportation	1,215,750	1,145,750	1,124,619	21,131
Central & other:				
Communications	82,260	111,260	106,264	4,996
Maintenance & repair - equipment	1,000	1,000	151	849
Other charges	1,000	500	-	500
Administrative equipment	5,000	5,000	4,158	842
Data processing equipment	5,000	5,000	4,417	583
Other equipment	<u>5,000</u>	<u>5,000</u>	<u>4,577</u>	<u>423</u>
Total central & other	99,260	127,760	119,567	8,193
Total support services	<u>9,656,666</u>	<u>9,884,656</u>	<u>9,209,023</u>	<u>675,633</u>

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Purpose Fund
(Continued)
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Non-instructional:</u>				
Early childhood education:				
Teachers	235,120	217,056	216,965	91
Educational assistant(s)	76,945	76,059	75,183	876
Other salaries & wages	6,000	15,005	11,497	3,508
Social security	19,348	18,105	17,181	924
State retirement	28,278	26,402	26,579	(177)
Life insurance	1,280	1,106	864	242
Medical insurance	23,625	27,639	23,900	3,739
Employer medicare	4,612	4,452	4,185	267
Travel	500	-	-	-
Contracted substitutes certified	3,000	9,585	2,925	6,660
Contracted substitutes non-certified	1,500	2,174	2,092	82
Other contracted services	101,760	102,044	102,044	-
Instructional supplies & materials	9,973	15,706	15,670	36
Other supplies & materials	2,000	1,132	1,127	5
In-service/staff development	1,500	2,059	187	1,872
Other charges	-	1,975	1,621	354
Total early childhood education	515,441	520,499	502,020	18,479
Total non-instructional	515,441	520,499	502,020	18,479
<u>Capital outlay</u>	-	475,116	29,397	445,719
Total expenditures before debt service	23,204,061	24,449,306	22,800,304	1,649,002
<u>Debt service:</u>				
Principal on note	230,219	230,219	230,219	-
Interest on loan	326,000	-	-	-
Total debt service	556,219	230,219	230,219	-
Total expenditures	23,760,280	24,679,525	23,030,523	1,649,002
<u>Other financial issues:</u>				
Transfer from other funds	50,000	50,000	87,717	(37,717)
Transfer to other funds	-	(3,000,000)	(3,000,000)	-
Total other financing resources	50,000	(2,950,000)	(2,912,283)	(37,717)
<u>Appropriated fund balance</u>	-	3,000,000	-	3,000,000
Total expenditures & other Issues	<u>\$ 23,710,280</u>	<u>\$ 24,629,525</u>	<u>\$ 25,942,806</u>	<u>\$ (1,313,281)</u>
Revenue over (under) expenditures & other			(1,027,316)	
Fund balance, at July,1, 2017			4,991,399	
Fund balance, at June 30, 2018			<u>\$ 3,964,083</u>	

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Federal Projects Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
Federal funds:				
Title I, part A	\$ 1,176,081	\$ 1,287,009	\$ 1,153,620	\$ (133,389)
IDEA special ed grants to states	601,628	659,315	616,105	(43,210)
IDEA pre-K	7,273	10,720	8,273	(2,447)
IDEA discretionary	25,478	25,477	15,470	(10,007)
IDEA discretionary supplement	-	8,448	7,999	(449)
Title II part A	93,933	114,394	46,641	(67,753)
TITLE III	-	10,893	9,506	(1,387)
TITLE IV	-	31,066	21,981	(9,085)
Consolidated admin	20,555	20,755	18,849	(1,906)
Pre-school development	228,363	158,263	151,793	(6,470)
Read to be ready (summer)	-	66,000	64,955	(1,045)
Total revenue	<u>\$ 2,153,311</u>	<u>\$ 2,392,340</u>	<u>\$ 2,115,192</u>	<u>\$ (277,148)</u>
<u>Expenditures:</u>				
Instruction:				
Title I:				
Teachers	348,302	344,303	340,375	3,928
Education assistant(s)	36,312	36,312	24,795	11,517
Social security	23,846	23,598	16,531	7,067
State retirement	31,177	30,814	26,448	4,366
Life insurance	1,408	1,391	883	508
Medical insurance	32,934	43,840	43,136	704
Employer medicare	7,319	5,519	4,948	571
Contracts with other systems	5,160	5,002	5,002	-
Contracts for substitutes certified	11,824	11,824	3,218	8,606
Other contracted services	62,617	61,617	44,874	16,743
Instructional supplies & materials	38,844	36,366	29,506	6,860
Other supplies & materials	9,021	8,017	2,792	5,225
Other charges	9,307	-	-	-
Regular instruction equipment	<u>37,113</u>	<u>141,646</u>	<u>121,280</u>	<u>20,366</u>
Total title I	655,184	750,249	663,788	86,461
Title III:				
Other contracted services	-	6,636	5,250	1,386
Instructional supplies & materials	<u>-</u>	<u>1,157</u>	<u>1,156</u>	<u>1</u>
Total title III	-	7,793	6,406	1,387
Title IV:				
Instructional supplies & materials	<u>-</u>	<u>12,250</u>	<u>10,947</u>	<u>1,303</u>
Total title IV:	-	12,250	10,947	1,303

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Federal Projects Fund
Year Ended June 30, 2018

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
IDEA special education:				
Teachers	235,525	229,325	221,316	8,009
Education assistant(s)	211,013	209,013	195,850	13,163
Social security	27,685	27,685	24,027	3,658
State retirement	40,546	40,546	36,544	4,002
Life insurance	1,831	1,831	1,211	620
Medical insurance	52,351	50,351	46,665	3,686
Employer medicare	6,475	6,475	5,619	856
Contracts for substitutes certified	2,846	8,046	7,547	499
Contracts for substitutes non-certified	1,395	6,395	4,543	1,852
Other contracted services	21,961	23,068	23,068	-
Instructional supplies and materials	-	2,000	1,188	812
Total special education	601,628	604,735	567,578	37,157
Read to be ready - summer program:				
Teachers	-	30,096	29,754	342
Social security	-	1,866	1,844	22
State retirement	-	2,733	2,695	38
Employer medicare	-	436	431	5
Contracts for substitutes certified	-	2,808	2,808	-
Instructional supplies and materials	-	13,035	12,883	152
Other charges	-	768	684	84
Total read to be ready - summer	-	51,742	51,099	643
Total instructional	1,256,812	1,426,769	1,299,818	126,951
<u>Support services:</u>				
Title I:				
Other salaries & wages	351,876	351,876	329,341	22,535
Social security	21,816	21,816	18,387	3,429
State retirement	28,999	28,999	27,611	1,388
Life insurance	1,309	1,309	758	551
Medical insurance	4,961	4,961	4,568	393
Employer medicare	5,102	5,102	4,712	390
Library books	5,000	5,000	4,418	582
Other supplies & materials	12,471	12,522	9,949	2,573
In-service & staff development	12,363	12,000	8,393	3,607
Other charges	2,000	11,528	49	11,479
Total title I	445,897	455,113	408,186	46,927

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Federal Projects Fund
Year Ended June 30, 2018

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Title II:				
Other salaries and wages	56,000	65,000	30,900	34,100
Social security	3,472	4,030	1,882	2,148
State retirement	5,085	5,902	2,801	3,101
Employer medicare	812	943	440	503
Contracted substitutes certified	1,755	2,340	-	2,340
In-service & staff development	20,609	29,833	5,978	23,855
Other Charges	-	546	-	546
Total title II	87,733	108,594	42,001	66,593
Title III:				
In-service & staff development	-	3,000	3,000	-
Total title III	-	3,000	3,000	-
Title IV:				
In-service & staff development	-	18,816	11,033	7,783
Total title IV:	-	18,816	11,033	7,783
IDEA special education:				
Psychological personnel	-	18,000	18,000	-
Social security	-	1,116	1,116	-
Employer medicare	-	261	261	-
Other contracted services	-	28,353	27,960	393
Other supplies & materials	-	2,850	857	1,993
In-service & staff development	-	2,000	-	2,000
Contracts with private agencies	-	2,000	333	1,667
Total idea special education	-	54,580	48,527	6,053
Consolidated admin:				
Secretary(s)	18,360	18,360	16,566	1,794
Employer medicare	266	266	240	26
Other supplies & materials	600	800	713	87
Total consolidated admin	19,226	19,426	17,519	1,907
Read to be ready summer:				
Supervisor	-	5,760	5,760	-
Social security	-	357	358	(1)
State retirement	-	523	523	-
Employer medicare	-	84	84	-
Postal charges	-	1	-	1

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Federal Projects Fund
Year Ended June 30, 2018

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
In-service & staff development	-	2,070	1,765	305
Contracts with private agencies	-	5,463	5,367	96
Total read to be ready summer	-	14,258	13,857	401
IDEA discretionary:				
Other salaries & wages	10,350	10,350	6,063	4,287
Social security	642	642	342	300
State retirement	936	935	550	385
Employer medicare	150	150	80	70
Contracts with private agencies	13,400	13,400	8,435	4,965
Total idea discretionary	25,478	25,477	15,470	10,007
IDEA discretionary supplement:				
Other supplies & materials	-	2,448	2,448	-
In-service/staff development	-	6,000	5,558	442
Total idea discretionary supplement	-	8,448	8,006	442
Total support services	578,334	707,712	567,599	140,113
<u>Non-instructional:</u>				
IDEA pre-k:				
Contracts for substitutes certified	948	2,500	1,989	511
Other contracted services	3,325	3,325	3,325	-
Instructional supplies & materials	1,500	1,967	1,044	923
Special education equipment	-	429	-	429
In-service/staff development	1,500	2,499	1,914	585
Total idea pre-k	7,273	10,720	8,272	2,448
Pre-school development:				
Supervisor/director	25,000	-	-	-
Teachers	58,113	58,113	58,113	-
Clerical personnel	2,065	2,065	2,128	(63)
Educational assistant(s)	18,115	18,115	17,759	356
Other salaries & wages	33,600	15,000	15,000	-
Social security	6,276	4,726	4,253	473
State retirement	9,164	6,894	7,074	(180)
Life insurance	313	313	231	82
Medical insurance	12,327	11,605	11,605	-
Employer medicare	1,985	1,353	1,220	133

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Federal Projects Fund
Year Ended June 30, 2018

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Travel	1,000	-	-	-
Contracts for substitutes certified	4,000	3,000	2,399	601
Contracts for substitutes non-certified	2,000	1,000	1,000	-
Other contracted services	37,083	24,960	24,960	-
Instructional supplies & materials	5,822	5,819	4,654	1,165
Other supplies & materials	2,000	1,000	722	278
In-service/staff development	5,000	2,500	480	2,020
Other charges	500	1,200	188	1,012
Regular instruction equipment	-	600	-	600
Total pre-school development	<u>224,363</u>	<u>158,263</u>	<u>151,786</u>	<u>6,477</u>
 Total non-instructional	<u>231,636</u>	<u>168,983</u>	<u>160,058</u>	<u>8,925</u>
 Total expenditures	<u>2,066,782</u>	<u>2,303,464</u>	<u>2,027,475</u>	<u>275,989</u>
<u>Other financing sources (uses):</u>				
Indirect cost consolidated admin	(1,329)	(1,329)	(1,329)	-
Indirect cost title I	(75,000)	(81,647)	(81,647)	-
Indirect cost title II	(6,200)	(5,800)	(4,641)	(1,159)
Indirect cost title III	-	(100)	(100)	-
Indirect Cost pre-school development	(4,000)	-	-	-
Other financing sources (uses):	<u>(86,529)</u>	<u>(88,876)</u>	<u>(87,717)</u>	<u>(1,159)</u>
 Total expenditures and other issues	<u>2,153,311</u>	<u>2,392,340</u>	<u>2,115,192</u>	<u>277,148</u>
 Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balance, at July 1, 2017			<u>-</u>	
 Fund balance, at June 30, 2018			<u>\$ -</u>	

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Cafeteria Fund
Year Ended June 30, 2018

	<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	\$ 24,600	\$ 24,600	\$ 25,414	\$ 814
Ala Carte	58,900	58,900	59,950	1,050
Total charges for services	<u>83,500</u>	<u>83,500</u>	<u>85,364</u>	<u>1,864</u>
State:				
State matching funds-national lunch program	15,600	15,600	15,738	138
Total state	<u>15,600</u>	<u>15,600</u>	<u>15,738</u>	<u>138</u>
USDA:				
Federal government revenue	1,350,000	1,375,000	1,364,210	(10,790)
USDA commodities	132,037	132,037	132,875	838
USDA - other	-	61,550	65,485	3,935
Total usda	<u>1,482,037</u>	<u>1,568,587</u>	<u>1,562,570</u>	<u>(6,017)</u>
Other revenue:				
Contributions and gifts	-	-	1,773	1,773
Other sources	100	100	150	50
Total other revenue	<u>100</u>	<u>100</u>	<u>1,923</u>	<u>1,823</u>
Total revenue	<u>1,581,237</u>	<u>1,667,787</u>	<u>1,665,595</u>	<u>(2,192)</u>
<u>Expenditures:</u>				
Supervisor	200,234	200,234	184,271	15,963
Nutrition employees	346,108	349,417	353,112	(3,695)
Social security	33,873	34,078	31,144	2,934
State retirement	31,331	31,331	30,461	870
Life insurance	1,438	1,438	1,022	416
Medical insurance	74,157	74,157	61,059	13,098
Employer medicare	7,922	7,970	7,283	687
Maintenance & repair equipment	-	14,017	8,354	5,663
Other contracted services	16,000	16,000	13,338	2,662
Food supplies	652,000	692,143	642,974	49,169
Uniforms	2,360	2,360	2,294	66
Other supplies & materials	63,777	65,130	53,582	11,548
In-service/staff development	4,000	3,968	3,137	831
Other charges	-	32	32	-
Food service equipment	16,000	43,475	34,362	9,113
USDA commodities	132,037	132,037	132,875	(838)
Total expenditures	<u>1,581,237</u>	<u>1,667,787</u>	<u>1,559,300</u>	<u>108,487</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>106,295</u>	<u>\$ 106,295</u>
Fund balance, at July 1, 2017			<u>352,188</u>	
Fund balance, at June 30, 2018			<u>\$ 458,483</u>	

See accompanying notes.

Millington Municipal Schools Board of Education
Statement of Fiduciary Net Position – OPEB
June 30, 2018

ASSETS

Cash and cash equivalents	\$	3,036
Investments:		
Fixed income		101,157
Domestic equities		117,133
International equities		<u>58,299</u>
Total investments		<u>276,589</u>
Total assets		<u>279,625</u>

NET POSITION

Restricted		<u>279,625</u>
Total net position restricted for post employment benefits other than pensions	\$	<u><u>279,625</u></u>

Millington Municipal Schools Board of Education
Statement of Changes in Fiduciary Net Position – OPEB
Year Ended June 30, 2018

Additions

Employer contributions	\$	62,072
Investment income:		
Net increase in fair value of investment		12,719
Interest and dividends		<u>10,098</u>
Total investment income		22,817
Total additions		<u>84,889</u>

Deductions

Benefit payments		62,072
Administrative expense		<u>3,305</u>
Total deductions		<u>65,377</u>
Change in net position		19,512

Net position restricted for post employment benefits other than pensions:

Beginning of year		<u>260,113</u>
End of year	\$	<u><u>279,625</u></u>

Millington Municipal Schools Board of Education
Statement of Changes in Assets and Liabilities – Student Activity Fund
Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
ASSETS				
Cash	\$ 304,161	\$ 553,352	\$ (518,792)	\$ 338,721
Inventory	<u>5,828</u>		<u>(1,987)</u>	<u>3,841</u>
Total assets	<u>\$ 309,989</u>	<u>\$ 553,352</u>	<u>\$ (520,779)</u>	<u>\$ 342,562</u>
LIABILITIES				
Due to student general fund	\$ 170,759	\$ 155,928	\$ (143,759)	\$ 182,928
Due to student groups	<u>139,230</u>	<u>397,424</u>	<u>(377,020)</u>	<u>159,634</u>
Total liabilities	<u>\$ 309,989</u>	<u>\$ 553,352</u>	<u>\$ (520,779)</u>	<u>\$ 342,562</u>

1. Summary of Significant Accounting Policies

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

(A) – Financial reporting entity

The City of Millington, Tennessee ("City") has determined that the School's general purpose fund, federal projects fund, cafeteria fund, and capital projects fund represent special revenue funds of the City, the School's student activity funds are an agency fund of the City, and the School's other post-employment benefits (OPEB) trust fund is a trust fund of the City.

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

(B) – Basis of presentation

District-wide financial statements

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

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

Governmental fund financial statements

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

The funds of the financial reporting entity are described below:

Governmental funds

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

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

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

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

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

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

(C) – Measurement focus and basis of accounting

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

Measurement focus

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

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

Basis of accounting

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

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

(D) – Budgetary data

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

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

(E) – Cash and cash equivalents

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

(F) – Investments

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

(G) – Fair Value Measurements

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

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

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

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

(H) – Receivables

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

(I) – Inventory

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

(J) – Capital assets

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

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

(K) – Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The 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.

(L) – Compensated absences

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

(M) – Fund balance

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

Nonspendable

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

Restricted

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

Assigned

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

Unassigned

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

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

(N) – Use of estimates

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

Millington Municipal Schools Board of Education

Notes to Financial Statements

(O) – Pensions

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

(P) – Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the School’s OPEB Plan and additions to/deductions from the School’s fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, The OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and other cash equivalents, which are reported at cost.

(Q) – Change in accounting principle and restatement

The School implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in the fiscal year ending June 30, 2018. GASB No. 75 provides accounting financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (“OPEB”) and related disclosures. The implementation of this standard resulted in the restatement and reduction of net position in the amount of \$3,596,646 for net OPEB liability and related deferred inflow of resources as of June 30, 2017.

(R) – Application of restricted resources

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(S) – Net position

The School recognizes the difference between its assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position in the district-wide financial statements. Net position categories include:

Investment in capital assets

Investment in capital assets consists of capital assets net of accumulated depreciation.

Restricted

Restricted net position is comprised of assets bound by constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted

The remaining balance of the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital or the restricted components of net position.

Millington Municipal Schools Board of Education
Notes to Financial Statements

2. Deposits

Deposits with financial institutions are subject to custodial risk, which is the risk that in the event of a bank failure, the school's deposits may not be returned to it. To reduce the risk of loss, Tennessee State Law required that all deposits with financial institutions in excess of FDIC limits be secured (1) with a financial institution(s) that participates in the State of Tennessee Bank Collateral Pool administered by the state treasurer or (2) are collateralized with securities held by the Millington Municipal Schools Board of Education's agent in the name of the Board of Education whose market value is equal to 105 percent (105%) of the uninsured deposits. None of the deposits were subject to custodial risk as all balances were insured through FDIC or deposited with banks participating in the State of Tennessee Bank Collateral Pool. At yearend, cash per bank including certificate of deposit, was \$9,710,350 before reconciliation to the carrying amount of \$8,963,418 on the balance sheet for governmental funds for both cash, cash equivalents, and short term investments. The student activity fund also had cash per bank of \$340,009 before reconciliation to the carrying amount of \$338,711 on the balance sheet at year end.

3. Investments

The School may invest in certain risk-free, interest bearing instruments. General purpose fund investments of \$2,000,000 consist of certificates of deposit (at cost) as of June 31, 2018. Investments with a maturity date within three months of the date acquired, if any, are considered to be cash equivalents.

Fiduciary Investments

Disclosures concerning the investments held by the trust that are reported at fair value are presented below. Fair value has been determined based on the School's assessment of available market information and appropriate valuation methodologies. The following table summarizes fair value disclosures and measurements at June 30, 2018:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
	<u>Fair Value</u>			
Investments				
Mutual funds:				
Fixed income	\$ 101,157	\$ 101,157	\$ -	\$ -
Domestic equities	117,133	117,133	-	-
International equities	<u>58,299</u>	<u>58,299</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 276,589</u>	<u>\$ 276,589</u>	<u>\$ -</u>	<u>\$ -</u>

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

4. Surety Bonds

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

Millington Municipal Schools Board of Education
Notes to Financial Statements

5. Interfund Transfers

During the year ended June 30, 2018, the City transferred \$500,000 to the general purpose fund to be used for general operations. The School records this transfer as general contribution revenue.

The School's general purpose fund also transferred \$3,000,000 to the capital projects fund and the federal projects fund transferred \$87,717 to the general purpose fund during fiscal year 2018.

6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as followed:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 815,000	\$ -	\$ -	\$ -	\$ 815,000
Construction in progress	<u>765,745</u>	<u>1,281,133</u>	<u>(100,340)</u>	<u>-</u>	<u>1,946,538</u>
Total capital assets not being depreciated	<u>1,580,745</u>	<u>1,281,133</u>	<u>(100,340)</u>	<u>-</u>	<u>2,761,538</u>
Other capital assets:					
Land Improvements	40,600	-	-	-	40,600
Buildings	49,632,761	-	-	-	49,632,761
Equipment	<u>433,593</u>	<u>101,169</u>	<u>-</u>	<u>-</u>	<u>534,762</u>
Total other capital assets at historical cost	<u>50,106,954</u>	<u>101,169</u>	<u>-</u>	<u>-</u>	<u>50,208,123</u>
Less accumulated Depreciation for:					
Land Improvements	(2,504)	(812)	-	-	(3,316)
Buildings	(3,736,386)	(1,103,415)	-	-	(4,839,801)
Equipment	<u>(62,569)</u>	<u>(32,448)</u>	<u>-</u>	<u>-</u>	<u>(95,107)</u>
Total accumulated depreciation	<u>(3,801,459)</u>	<u>(1,136,675)</u>	<u>-</u>	<u>-</u>	<u>(4,938,224)</u>
Other capital assets, net	<u>46,305,495</u>	<u>(1,035,506)</u>	<u>-</u>	<u>-</u>	<u>45,269,899</u>
Governmental activities capital assets, net	<u>\$ 47,886,240</u>	<u>\$ 245,627</u>	<u>\$ (100,340)</u>	<u>\$ -</u>	<u>\$ 48,031,437</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.

7. Pension Plans

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

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

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

Political Subdivision Pension Plan (PSPP) – Certain administrative employees are included in the PSPP, an agent multiple-employer plan, 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 publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

(A) – Teacher Legacy Pension Plan

General Information about the Pension Plan

Plan Description – Teachers, with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Millington Municipal Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014 who did not have prior membership in TCRS. The 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 publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar

Millington Municipal Schools Board of Education
Notes to Financial Statements

year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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, 2018 to the Teacher Legacy Pension Plan were \$936,967, which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets – At June 30, 2018, Millington Municipal Schools reported an asset of \$93,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Millington Municipal Schools' proportion of the net pension liability was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Millington Municipal Schools' proportion was 0.286140 percent. The proportion measured as of June 30, 2016 was 0.279607 percent.

Pension Expense – For the year ended June 30, 2018, Millington Municipal Schools recognized a pension expense of \$593,362 related to the Teacher Legacy Pension Plan.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, Millington Municipal Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,441	\$ 1,932,815
Changes in assumptions	792,908	-
Net difference between projected and actual earnings on pension plan investments	14,211	-
Changes in proportion of Net Pension Liability (Asset)	1,816,352	-
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>936,967</u>	<u>(not applicable)</u>
Total	<u>\$ 3,616,879</u>	<u>\$ 1,932,815</u>

Millington Municipal Schools Board of Education

Notes to Financial Statements

Millington Municipal Schools' employer contributions of \$936,967 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	
2019	\$ (77,620)
2020	880,131
2021	351,008
2022	(406,421)
2023	-
Thereafter	-

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

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25 percent

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

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

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study 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 2.5 percent.

Millington Municipal Schools Board of Education
Notes to Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate – The following presents Millington Municipal Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Millington Municipal Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Millington Municipal Schools' Proportionate share of the net Pension liability (asset)	\$ 8,400,389	\$ (93,621)	\$ (7,114,479)

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

Payable to the Pension Plan – At June 30, 2018, Millington Municipal School's reported a payable of \$74,823 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

(B) – Teacher Retirement Plan

General Information about the Pension Plan

Plan Description - Teachers, with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Millington Municipal Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees.

Millington Municipal Schools Board of Education

Notes to Financial Statements

Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017 to the Teacher Retirement Plan were \$86,846 which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets – At June 30, 2018, Millington Municipal Schools reported an asset of \$79,541 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial value of that date. Millington Municipal Schools' proportion of the net pension asset was based on Millington Municipal Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Millington Municipal Schools' proportion was 0.301476 percent. The proportion measured as of June 30, 2016 was 0.356813 percent.

Pension Expense – For the year ended June 30, 2018, Millington Municipal Schools recognized pension expense of \$36,776.

Millington Municipal Schools Board of Education
Notes to Financial Statements

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, Millington Municipal Schools reported deferred outflows of resources related to the Teacher Retirement Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,788	\$ 5,982
Net difference between projected and actual earnings on pension plan investments	-	4,280
Changes in assumptions	6,988	-
Changes in proportion of Net Pension Liability (Asset)	9,034	-
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>86,846</u>	<u>(not applicable)</u>
Total	<u>\$ 105,656</u>	<u>\$ 10,262</u>

Millington Municipal School's employer contributions of \$86,846, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year Ended
June 30,**

2019	\$ 318
2020	318
2021	73
2022	(1,028)
2023	990
Thereafter	7,874

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

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25 percent

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

Millington Municipal Schools Board of Education
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Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2016, (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 2.5 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Assets) to Changes in the Discount Rate – The following presents Millington Municipal Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Millington Municipal Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Millington Municipal Schools' Proportionate share of the net Pension liability (asset)	\$ 15,869	\$ (79,541)	\$ (149,524)

Millington Municipal Schools Board of Education

Notes to Financial Statements

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

Payable to the Pension Plan – At June 30, 2018, Millington Municipal School's reported a payable of \$7,634 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

401(k) Plan – The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are automatically enrolled, with opt-out feature, to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. The School is required to contribute 5% of their salaries, which amount to \$106,486, for the year ended June 30, 2018, of which \$8,301 was payable at June 30, 2018.

(C) – Political Subdivision Pension Plan

General Information about the Pension Plan

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

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of the legacy Political Subdivision Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and included projected service credits. A variety of death benefits are available under various eligibility criteria.

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

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>89</u>
	<u>101</u>

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Contributions – Contributions are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The Local Education Agencies (LEAs) makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the Actuarially Determined Contribution (ADC) for the Political Subdivision Pension Plan was \$245,368 based on a rate of 8.93 percent of covered payroll. By law, employer contributions for the Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of an unfunded liability.

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

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25 percent

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

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

Changes of assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study 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 2.5 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
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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset):

	<u>(a) Total Pension Liability</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) – (b) Net Pension Liability (Asset)</u>
Balance at June 30, 2016	\$ 600,526	\$ 570,722	\$ 29,804
Changes for the year:			
Service cost	288,750	-	288,750
Interest	66,546	-	66,546
Difference between expected and actual experience	(1,225)	-	(1,225)
Changes in assumptions	21,214	-	21,214
Contributions- employer	-	230,248	(230,248)
Contributions- employees	-	110,269	(110,269)
Net investment income	-	83,446	(83,446)
Benefit payments, including refunds of employee contributions	(3,992)	(3,992)	-
Administrative expense	-	(7,519)	7,519
Other changes	-	-	-
Net changes	<u>371,293</u>	<u>412,452</u>	<u>(41,159)</u>
Balance at June 30, 2017	<u>\$ 971,819</u>	<u>\$ 983,174</u>	<u>\$ (11,355)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the Political Subdivision Pension Plan calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Political Subdivision Pension Plan net Pension liability (asset)	\$ 168,140	\$ (11,355)	\$ (155,427)

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

Pension Expense – For the year ended June 30, 2018, the Political Subdivision Pension Plan recognized pension expense of \$200,344.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, Millington Municipal Schools reported deferred outflows of resources related to the Political Subdivision Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,557	\$ 12,515
Net difference between projected and actual earnings on pension plan investments	-	8,206
Changes in assumptions	18,857	-
Contributions subsequent to the measurement date of June 30, 2017	<u>245,368</u>	<u>(not applicable)</u>
Total	<u>\$ 285,782</u>	<u>\$ 20,721</u>

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

<u>Year Ended June 30,</u>	
2019	\$ 2,940
2020	2,940
2021	1,758
2022	(2,265)
2023	3,396
Thereafter	10,917

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

Payable to the Pension Plan – At June 30, 2018, Millington Municipal School's reported a payable of \$418 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

8. Post-employment Healthcare Benefits

Plan Description

Plan administration – On June 6, 2016, the Millington Municipal Schools Board of Education passed a resolution to participate in the Tennessee School Boards Association OPEB Trust (“TSBA OPEB Trust”). The School funded the TSBA OPEB Trust with an initial deposit of \$50,000. On September 6, 2016 the Millington Municipal Schools Board of Education approved a retiree healthcare plan to be administered by the TSBA OPEB Trust to be effective January 1, 2017. The School administers the Millington Municipal Schools Retiree Benefits Plan (“MMSRBP”)—a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (“OPEB”).

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

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

Plan membership – At June 30, 2017, participants consisted of the following:

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

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

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

Contributions. – The School establishes contributions based on an actuarially determined rate. The amount contributed is based on an actuarial valuation and available funds for the year. For the year ended June 30, 2017, the School a contribution in the current year equal to the amount of benefits paid. No additional amounts were paid to the trust in during fiscal 2018.

Investments

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

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Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.22% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

Actuarial assumptions – Actuarial valuations of an ongoing postemployment benefits plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive postemployment benefits (the plan as understood by the employer and retirees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation method	Entry age normal level
Discount rate	3.87%
Expected long-term rate of return on plan assets	7.5%
Health care cost trend rate	8% graded down to 5% over 6 years
Inflation rate	3%
Retirement rates	Varying rates beginning with 0% for under age 50 to 100% retirement at age 65
Mortality	RHP-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

Changes in assumption for the year ended June 30, 2018, include the increase in discount rate from 2.81% to 3.87%, the increase in the expected rate of return on assets from 4.25% to 7.5%, and the use of updated mortality tables. Effective September 1, 2018, the School will begin participation in the Tennessee State Group Insurance Program. As part of participation in this program, the State contributes an explicit premium subsidy to retired certified employees. Since this portion of the premium cost is no longer the Schools' responsibility, this change has resulted in a decrease in the Schools' liability. This change has been expressed as a change of benefit terms for fiscal year 2018.

The long-term expected rate of return on plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Equity	34.00%	9.20%
U.S. Mid Equity	4.00%	9.80%
U.S. Small Equity	4.00%	10.30%
European Equity	13.00%	7.40%
Japanese Equity	2.00%	7.40%
Asian (excl. Japan) Equity	3.00%	9.70%
Emerging Market Equity	5.00%	11.40%
Short Term Fixed Income	7.00%	3.60%
U.S. Fixed Income	23.00%	4.80%
International Fixed Income	1.00%	4.50%
Inflation Protected Notes	3.00%	5.70%
Emerging Market Fixed Income	1.00%	7.10%
Total	100%	7.55%

Discount rate – The discount rate used to measure the total OPEB liability was 2 percent. The discount rate is a weighted rate based on the long term rate of return of 7.5 percent and range of rates for 20 year rate for tax-exempt general obligation AA municipal bonds.

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

	<u>(a) Total OPEB Liability</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) – (b) Net OPEB Liability (Asset)</u>
Balance at June 30, 2017	\$ 4,164,892	\$ 260,113	\$ 3,904,779
Changes for the year:			
Service cost	249,605	-	249,605
Interest	123,180	-	123,180
Difference between expected and actual experience	(154,038)	-	(154,038)
Changes in assumptions	(306,633)	-	(306,633)
Changes in benefit terms	(1,147,418)	-	(1,147,418)
Contributions- employer	-	62,072	(62,072)
Net investment income	-	22,817	(22,817)
Benefit payments, including refunds of employee contributions	(62,072)	(62,072)	-
Administrative expense	-	(3,305)	3,305
Other changes	-	-	-
Net changes	<u>(1,297,376)</u>	<u>19,512</u>	<u>(1,316,888)</u>
Balance at June 30, 2018	<u>\$ 2,867,516</u>	<u>\$ 279,625</u>	<u>\$ 2,587,891</u>

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

Millington Municipal Schools Board of Education
Notes to Financial Statements

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Net OPEB liability (asset)	\$ 2,944,999	\$ 2,587,891	\$ 2,283,213

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

	<u>1% Decrease (7% decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (8% decreasing to 5%)</u>	<u>1% Increase (9% decreasing to 6%)</u>
Net OPEB liability	\$ 2,376,535	\$ 2,587,891	\$ 2,833,482

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense – For the year ended June 30, 2018, the plan had negative OPEB expense of \$846,246, primarily due to the change in benefit terms and state subsidy discussed above.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, the School reported deferred outflows of resources related to the OPEB Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (136,923)
Changes of assumptions	-	(297,925)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,744)
Total	<u>\$ -</u>	<u>\$ (437,592)</u>

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

<u>Year Ended June 30,</u>	
2019	\$ (55,531)
2020	(55,531)
2021	(55,531)
2022	(55,531)
2023	(54,845)
Thereafter	(160,623)

9. Commitments and Contingencies

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

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School carries commercial insurance. In 2018, there were no material liability claims made by the school and settled claims resulted from these risks have not exceeded commercial in any of the past three years.

The School did not use the services of an attorney during the fiscal year ending June 30, 2018. School management is not aware of any threatened or active legal issues.

10. General Long-Term Obligations

Bond obligations

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

Litigation settlement

In January 2014, the County Commission of Shelby County, Tennessee, the City and the School entered a settlement agreement to resolve all claims and contentions between the parties concerning the formation of the School. As a condition of the settlement, the School agreed to pay the Shelby County Board of Education twelve annual payments of \$230,219 for total of \$2,762,628. During fiscal year 2018, the School made their fourth payment of \$230,219 and recognized interest expense of \$48,294 using an effective interest rate of 2.89%. As of June 30, 2018, the School has recorded a liability of \$1,640,475 in the statement of net position to reflect the net present value of the remaining eleven payments under this settlement liability. Future payments under the litigation settlement are as follows:

<u>Year</u>	
2019	\$ 230,219
2020	230,219
2021	230,219
2022	230,219
2023	230,219
2024-2026	<u>690,657</u>
Total payments	1,841,752
Less amount representing interest	<u>(201,277)</u>
Net litigation settlement obligation	<u>\$ 1,640,475</u>

Required Supplementary Information

Millington Municipal Schools Board of Education
Schedules of Proportionate Share of Net Pension Asset – Teacher Legacy
Pension Plan of TCRS
Years Ended June 30, 2018

	2018	2017	2016	2015
Proportion of net pension (asset) liability	0.28614%	0.279607%	0.244172%	0.000664%
Proportionate share of the net pension (asset) liability	\$ (93,621)	\$ 1,747,388	\$ 100,021	\$ (108)
Covered-employee payroll	\$ 10,023,023	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Proportionate share of the net pension (asset) liability as a percentage of covered-employee payroll	-0.93%	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension (asset) liability	100.14%	97.14%	99.80%	100.08%

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

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

Millington Municipal Schools Board of Education
Schedules of Contributions – Teacher Legacy Pension Plan of TCRS
Years Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 936,967	\$ 914,386	\$ 912,429	\$ 826,309	\$ 2,314
Contributions in relation to the contractually required contribution	<u>936,967</u>	<u>914,386</u>	<u>912,429</u>	<u>826,309</u>	<u>2,314</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 10,319,046	\$ 10,023,423	\$ 10,093,257	\$ 9,140,585	\$ 26,054
Contributions as a percentage of covered-employee payroll	9.08%	9.12%	9.04%	9.04%	8.88%

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

Millington Municipal Schools Board of Education
Schedule of Proportionate Share of Net Pension Liability (Asset) –
Teacher Retirement Plan of TCRS
Years Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportionate of net pension asset	0.301476%	0.356813%	0.479760%
Proportionate share of the net pension asset	\$ (79,541)	\$ (37,145)	\$ (19,301)
Covered-employee payroll	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Proportionate share of the net pension asset as a percentage of covered-employee payroll	-3.92%	-2.37%	-1.94%
Plan fiduciary net position as a percentatage of the total pension liability	126.81%	121.88%	127.46%

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

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

Millington Municipal Schools Board of Education
Schedules of Contributions – Teacher Retirement Plan of TCRS
Years Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 86,846	\$ 79,148	\$ 62,800	\$ 24,920
Contributions in relation to the contractually required contribution	<u>86,846</u>	<u>79,148</u>	<u>62,800</u>	<u>39,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,952)</u>
Covered-employee payroll	\$ 2,171,160	\$ 2,030,527	\$ 1,569,972	\$ 996,818
Contributions as a percentage of covered-employee payroll	4.00%	3.90%	4.00%	4.00%

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

Millington Municipal Schools Board of Education
Schedule of Changes in Net Pension Liability and Related Ratios – Based on
Participation in the Political Subdivision Pension Plan of TCRS
Years ending June 30, 2018

	2017	2016	2015
Total pension liability:			
Service cost	\$ 288,750	\$ 261,184	\$ 272,709
Interest	66,546	40,083	20,415
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(1,225)	27,715	(17,138)
Changes of assumptions	21,214	-	-
Benefit payments, including refunds of employee contributions	(3,992)	(3,437)	(1,005)
Net change in total pension liability (asset)	371,293	325,545	274,981
Total pension liability-beginning	600,526	274,981	-
Total pension liability-ending (a)	<u>\$ 971,819</u>	<u>\$ 600,526</u>	<u>\$ 274,981</u>
Plan fiduciary net position:			
Contributions-employer	\$ 230,248	\$ 196,318	\$ 182,233
Contributions-employee	110,269	101,788	90,476
Net investment income	83,446	11,056	4,119
Benefit payments, including refunds of employee contributions	(3,992)	(3,437)	(1,005)
Administrative expense	(7,519)	(6,604)	(4,222)
Other	-	-	-
Net change in plan fiduciary net position	412,452	299,121	271,601
Plan fiduciary net position-beginning	570,722	271,601	-
Plan fiduciary net position-ending (b)	<u>\$ 983,174</u>	<u>\$ 570,722</u>	<u>\$ 271,601</u>
Net pension (asset) liability-ending (a)-(b)	<u>\$ (11,355)</u>	<u>\$ 29,804</u>	<u>\$ 3,380</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	101.17%	95.04%	98.77%
Covered-employee payroll	\$ 2,581,127	\$ 2,411,773	\$ 2,238,733
School's net pension liability as a percentage of covered-employee payroll	0.44%	1.24%	0.15%

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

Millington Municipal Schools Board of Education
Schedules of Contributions – Political Subdivision Pension Plan of TCRS
Years Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 245,368	\$ 204,941	\$ 196,318
Contributions in relation to the actuarially determined contribution	<u>245,368</u>	<u>230,248</u>	<u>196,318</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (25,307)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,747,680	\$ 2,581,127	\$ 2,411,773
Contributions as a percentage of covered-employee payroll	8.93%	8.92%	8.14%

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

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10-year smoothed within a 20.0% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of plan investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

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

	2018	2017
Total OPEB liability:		
Service cost	\$ 249,605	\$ 265,891
Interest	123,180	113,972
Changes in benefit terms	(1,147,418)	-
Differences between actual and expected experience	(154,038)	-
Changes of assumptions	(306,633)	-
Benefit payments	(62,072)	(10,042)
Net change in total OPEB liability (asset)	(1,297,376)	369,821
Total OPEB liability-beginning	4,164,892	3,795,071
Total OPEB liability-ending (a)	<u>\$ 2,867,516</u>	<u>\$ 4,164,892</u>
Plan fiduciary net position:		
Contributions-employer	\$ 62,072	\$ 209,913
Net investment income	22,817	10,242
Benefit payments	(62,072)	(10,042)
Administrative expense	(3,305)	-
Other	-	-
Net change in plan fiduciary net position	19,512	210,113
Plan fiduciary net position-beginning	260,113	50,000
Plan fiduciary net position-ending (b)	<u>\$ 279,625</u>	<u>\$ 260,113</u>
Net OPEB liability-ending (a)-(b)	<u>\$ 2,587,891</u>	<u>\$ 3,904,779</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.75%	6.25%
Covered-employee payroll	\$ 9,530,500	\$ 9,530,500
Net OPEB liability as a percentage of covered-employee payroll		40.97%

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

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

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

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

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age level of percentage of salary
Amortization method	Straight line (for deferred outflow)
Amortization period	9 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8% decreasing .5% per year to an ultimate 5% for 2022 and therefore after
Salary increases	3.0%
Investment rate of return	7.50%
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2017 Mortality Fully Generational using Projection Scale MP-2017

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

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.22%	10.02%

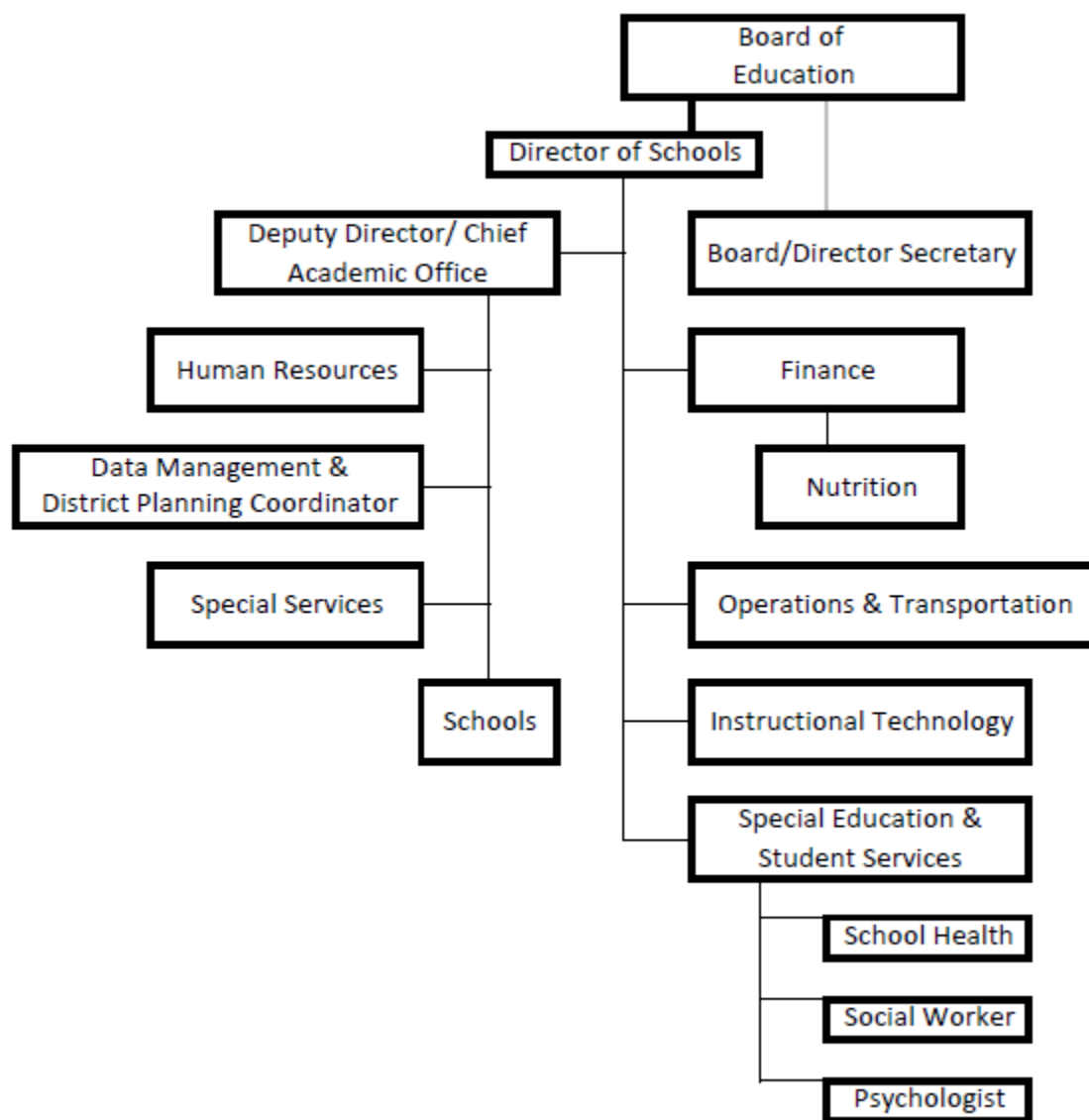
This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Other Supplementary Information

Millington Municipal Schools Board of Education
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Capital Projects Fund
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue:</u>				
Other statutory local taxes	\$ -	\$ 1,175,000	\$ 407,608	\$ (767,392)
Bond issue	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,000,000</u>	<u>1,175,000</u>	<u>407,608</u>	<u>(767,392)</u>
<u>Expenditures:</u>				
Architects	120,000	215,000	128,515	86,485
Engineering services	-	100,000	-	100,000
Building construction	6,700,000	6,159,295	1,154,056	5,005,239
Building improvements	50,000	1,847,411	302,480	1,544,931
Other capital outlay no location	<u>69,399</u>	<u>69,399</u>	<u>62,078</u>	<u>7,321</u>
Total expenditures	<u>6,939,399</u>	<u>8,391,105</u>	<u>1,647,129</u>	<u>6,743,976</u>
<u>Other financing sources:</u>				
Transfer from other fund	-	3,000,000	3,000,000	-
Planned use of fund balance	<u>1,939,399</u>	<u>2,419,605</u>	<u>-</u>	<u>(2,419,605)</u>
Total other financing sources	<u>1,939,399</u>	<u>5,419,605</u>	<u>3,000,000</u>	<u>(2,419,605)</u>
<u>Appropriation of fund balance</u>	<u>-</u>	<u>1,796,500</u>	<u>-</u>	<u>1,796,500</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,760,479</u>	<u>\$ (36,021)</u>
Fund balance, at July 1, 2017			<u>2,419,605</u>	
Fund balance, at June 30, 2018			<u>\$ 4,180,084</u>	

**Millington Municipal Schools Board of Education
Organizational Chart
June 30, 2018**



Board of Education

Title	Name
Chairperson	Cecilia Haley
Vice Chairperson	Roger Christopher
Board Member	Cody Childress
Board Member	Mark Coulter
Board Member	Christopher Denson
Board Member	Barbara Halliburton
Board Member	Larry Jackson

Title	Name
Director of Schools	David Roper, Ed. D.
Chief Financial Officer	Bruce Rasmussen
Supervisor of Human Resources	Stacy Ross
Supervisor of Instructional Technology	Matthew Bowser
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	Jeana Decker

Governmental Auditing Standards Section

Millington Municipal Schools Board of Education
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

Federal CFDA Number	Pass-through Entity Identifying Number or Contract Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster	Expenditures
<u>Federal Awards:</u>			
Direct Funding:			
<u>U.S. Department of Defense Direct Program:</u>			
12.000		NJROTC Instruction	\$ 99,030
		Total U.S. Department of Defense Direct Program:	99,030
Pass Through Funding:			
<u>U.S. Department of Agriculture Programs</u>			
<u>Pass Through Tennessee Department of Education:</u>			
		Child Nutrition Cluster:	
10.553		School Breakfast Program	402,809
10.555		National School Lunch Program - Cash Assistance	956,311
10.555		School Snack Program	5,090
		Total Child Nutrition Cluster	1,364,210
10.582		Fresh Fruits & Vegetables	60,521
10.555		USDA - Commodities	132,875
10.555		USDA-Other (Delivery Reimbursement)	4,964
		Total U.S. Department of Agriculture	1,562,570
<u>U.S. Department of Education Programs</u>			
<u>Pass Through Tennessee Department of Education:</u>			
84.041.B		Public Law 874-Maintenance & Operations	48,582
84.010A	S010A160042	Title I Grants to Local Educational Agencies	1,153,620
84.010A	S010A160042	Consolidated Administration Pool	16,674
		Total Title I Grants to Local Educational Agencies	1,170,294
84.367A	S367A160040	Title II, Part A Improving Teacher Quality State Grants	46,641
84.367A	S367A160040	Consolidated Administration Pool	1,994
		Total Title II, Part A Improving Teacher Quality State Grants	48,635
84.365A	S365A170042	Title III Language Instruction	9,506
84.365A	S365A170042	Consolidated Administration Pool	91
		Total Title III, Language Instruction	9,597
84.424A	S424A17004	Title IV Student Support	21,981
84.424A	S424A17004	Consolidated Administration Pool	91
		Total Title IV, Student Support	22,072
84.419B	S419B150026-16B	Pre-School Expansion Grant	151,793
Special Education Cluster (IDEA):			
84.027A	H027A160052	IDEA Part B	616,105
84.173A	H173A160095	IDEA PreSchool Incentive	8,273

Millington Municipal Schools Board of Education
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

(Continued)

Federal CFDA Number	Pass-through Entity Identifying Number or Contract Number	Federal Grantor/ Pass-Through Grantor/ Program or Cluster	Expenditures
84.027A	H027A160052	IDEA Discretionary	15,470
84.027A	H027A160052	IDEA Discretionary Supplement	7,999
		Total Special Education Cluster (IDEA)	647,847
93.575	G1601TNCCDF	Read to Be Ready Grant:	
		Read to Be Ready Summer Literacy Grant	64,954
		Total U.S. Department of Education	2,163,774
		Total Pass Through:	3,726,344
		Total Federal Awards	3,825,374

State Awards:

Tennessee Department of Education:

Basic Education Program	12,981,000
Coordinated School Health	79,773
Voluntary Pre-K	268,121
Career Ladder	45,805
Safe School Grant	13,190
Online Readiness Funds (Connect TN)	6,719
Family Service Center Grant	29,612
State Matching Fund-National Lunch Program	15,738
IDEA Reimbursement for High Cost Expenditures	8,326
K-3 Literacy Unit Starter	4,500
Literacy Coordination	8,657
CTE Equipment Grant	78,161
STEM Leadership Substitute	234
Total State Awards	13,539,836
Total Federal and State Awards	\$ 17,365,210

Note - Basis of Presentation

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education
Millington Municipal Schools
Millington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the general purpose fund, each major fund, and fiduciary funds of the Millington Municipal Schools Board of Education (the "School"), which are funds of the City of Millington, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 7, 2018. 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, 2018, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2018-001 that we consider to be significant deficiency.

Compliance and Other Matters

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

There were no prior findings reported.

School's Response to Internal Control over Financial Reporting Findings

The School's responses to the internal control over compliance findings identified in our audit are described in the accompanying management corrective action plan. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Dixon Hughes Goodman LLP

**Memphis, Tennessee
December 7, 2018**

Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Millington Municipal Schools
Millington, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Millington Municipal School's ("School") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect the School's major federal program for the year ended June 30, 2018. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

Memphis, Tennessee
December 7, 2018

**Millington Municipal Schools Board of Education
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

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

 x yes none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

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

 yes x none reported

Type of auditors' report issued on compliance for major programs

Unmodified

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

 yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast program
10.555	National School Lunch Program

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

\$ 750,000

Auditee qualified as low-risk auditee? x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency – Accounts Payable Cut-off

Finding 2018-001:

Criteria: An organization's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. This includes recording of expenditures in the proper period.

Condition/Cause: A lack of formalized process to review open expenditures at year end resulted in a construction invoice not being properly accrued at June 30, 2018, for work performed during the month of June 2018. The amount of the understatement of account payable was approximately \$513,000, which was corrected with an audit adjustment.

Effect: Without proper review open invoices, capital and operating expenditures could be inadvertently reported in the wrong period.

Management's Response: See Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None reported

**Millington Municipal Schools Board of Education
Management's Corrective Action Plan
Year Ended June 30, 2018**

Millington Municipal Schools
5020 Second Ave
Millington, TN 38053



Office: (901) 873-5680
Fax: (901) 873-5699

Management's Corrective Action Plan

Finding 2018-001: Accounts Payable Cut off

Contact Person: Bruce Rasmussen, Chief Financial Officer, will be responsible for implementing the corrective action.

Corrective Action: The Finance Department will add a process to the Finance Section of the Internal Controls Manual to review all open expenditures at year end and properly accrue invoices at June 30th. Training on implementing the new policies and procedures will also be provided to the bookkeepers.

Proposed Completion Date: The action will be completed by December 31, 2018.