

**MILAN SPECIAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**MILAN SPECIAL SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Directory ..... 1

**Financial Section**

Independent Auditor’s Report ..... 2  
 Management’s Discussion and Analysis..... 5  
 Basic Financial Statements:  
   District-wide Financial Statements:  
     Statement of Net Position ..... 13  
     Statement of Activities ..... 14  
   Fund Financial Statements:  
     Balance Sheet – Governmental Funds ..... 16  
     Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities ... 17  
     Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... 18  
     Reconciliation of the Statement of Revenues, Expenditures and  
       Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 19  
     Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and  
       Actual - General Purpose Fund ..... 20  
     Notes to the Financial Statements ..... 37  
 Required Supplementary Information Section:  
   Schedule of the District’s Proportionate Share of the Net Pension Asset –  
     Teacher Legacy Pension Plan of TCRS ..... 63  
   Schedule of the District’s Contributions – Teacher Legacy Pension Plan of TCRS..... 64  
   Schedule of the District’s Contributions – Teacher Retirement Plan of TCRS..... 65  
   Schedule of Changes in Milan Special School District’s Net Position Liability (Asset) and  
     Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS ..... 66  
   Schedule of Milan Special School District’s Contributions Based on Participation  
     in the Public Employee Pension Plan of TCRS..... 67  
   Schedules of Funding Progress – Post Employment Healthcare Plan ..... 68

**Supplementary and Other Information Section**

Combining Balance Sheet – Other Governmental Funds..... 69  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other  
   Governmental Funds ..... 70  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and  
   Actual – Federal Projects Fund..... 71  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and  
   Actual – Centralized Cafeteria Fund ..... 75  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Actual  
   Education Capital Projects Fund..... 77  
 Schedule of Property Tax Rates and Assessments – Past Ten Years ..... 78  
 Schedule of Long-term Debt..... 79  
 Schedule of Bonds..... 80  
 Schedule of Expenditures of Federal Awards..... 81  
 Schedule of State Financial Assistance ..... 83

**Internal Control and Compliance Section**

Independent Auditor’s Report on Internal Control over Financial Reporting and on  
 Compliance and Other Matters Based on an Audit of Financial Statements  
   Performed in Accordance with *Government Auditing Standards*..... 84

Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control over Compliance as Required by OMB Circular A-133 .....	86
Schedule of Findings and Questioned Costs .....	88
Schedule of Prior Year Findings and Questioned Costs.....	90
Corrective Action Plan .....	91

## **INTRODUCTORY SECTION**

**MILAN SPECIAL SCHOOL DISTRICT  
DIRECTORY  
June 30, 2015**

**ELECTED OFFICIALS**

Sid Crocker, Chairman  
Marty Elliott, Vice Chairperson  
Will Ownby, Member  
Stacy Hensley, Member  
Yolanda Lett, Member  
Gregory Horton, Member  
Missy Ross, Member

**APPOINTED OFFICIALS**

Dr. Mary Reel, Director of Schools (through May 2015)  
Judy McGregor, Interim Director of Schools (June 2015 to current)  
Dawn Darden, Supervisor of Accountability (through May 2015)  
Sharron Petty, Finance Director (June 2015 to current)  
Diane Holt, Bookkeeper – Federal Projects and Central Cafeteria

**COUNSEL**

W. Collins Bonds  
Kizer, Bonds & Hughes  
Milan, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**

**Members of:**

American Society of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

## Independent Auditor's Report

Board of Education  
Milan Special School District  
Milan, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Special School District, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milan Special School District, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the required Schedule of the System's Proportionate Share of the Net Pension Asset – Teacher Legacy Pension Plan of TCRS, Schedule of the System's Contributions – Teacher Legacy Pension Plan of TCRS, Schedule of the System's Contributions – Teacher Retirement Plan of TCRS, Schedule of Milan Special School District Changes in Net Position Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS, Schedule of Milan Special School District Contributions Based on Participation in the Public Employee Pension Plan of TCRS, and the Schedule of Funding Progress – Post Employment Healthcare Plan on pages 63 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milan Special School District's basic financial statements. The introductory section and supplementary and other information section including the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section is the responsibility of management and was derived from and relates 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 supplementary and other information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2015, on our consideration of the Milan Special School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milan Special School District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 20, 2015

## Management's Discussion and Analysis

As management of the Milan Special School District (the District), we offer readers of the financial statements for the District this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information here in conjunction with the Independent Auditor's Report and the District's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). Comparative analyses of key elements of total governmental funds have been provided. The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment GASB Statement No. 68*, during 2015 causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$3,175,701. Of this amount, \$(2,720,094) is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$2,765,378.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$1,522,024, or 6.53% percent of total general purpose fund expenditures.
- The District's total bonded debt decreased by \$685,000.

### Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

**District-wide financial statement** The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents all the assets, liabilities and deferred inflows/outflows of resources for the District, with differences 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 District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Please refer to the Table of Contents to locate the district-wide financial statements.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs. The District's governmental activities include general administration, finance and education. The District has no business-type activities to report.

Please refer to the Table of Contents to locate the other information.

**Fund financial statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be grouped into one category: 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 a government's near-term financial 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District 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 fund and the non-major funds, of which the general purpose fund is considered to be a major fund and the federal projects, the cafeteria, and the capital projects funds are considered to be non-major funds.

The District adopts an annual appropriated budget for its general purpose and cafeteria funds. The District adopts a federal projects program and the budget for the federal projects fund is determined by the grantor of each grant. A budgetary comparison statement has been provided in the basic financial statements for the general purpose fund to demonstrate compliance with this budget. Also, budgetary comparison statements have been provided for each non-major fund in the supplementary and other section with the exception of the education capital projects fund. No annual budget is adopted for the education capital projects fund; therefore, no budgetary comparative statement has been provided. All funds expenditures were under budget with the exception of the general fund as noted on page 35 of the financials. The total expenditures exceeded the budget by \$6,801,466.

Please refer to the Table of Contents to locate the basic financial statements, the fund financial statements, and the supplementary and other information.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Please refer to the Table of Contents to locate the notes to the financial statements.

**Other information** In addition to the basic financial statements and accompanying notes, this

report also presents certain required supplementary information. This required supplementary information has been presented in the required supplementary information section of this report. The non-major funds statements of revenues, expenditures, and changes in fund balances are presented as supplementary and other information.

Please refer to the Table of Contents to locate the notes to the financial statements.

### District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,175,701 at the close of the fiscal year ended June 30, 2015.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. Milan Special School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Milan Special School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### The District's Net Position

#### Assets:

Current and other	\$ 7,171,133	\$ 6,428,497
Capital assets - net of accumulated depreciation	13,607,647	14,139,431
Total assets	<u>20,778,780</u>	<u>20,567,928</u>

#### Deferred outflows of resources:

Pension related deferred outflows	<u>891,619</u>	<u>-</u>
-----------------------------------	----------------	----------

#### Liabilities:

Long-term liabilities	11,227,694	11,569,449
Other liabilities	811,061	732,141
Total liabilities	<u>12,038,755</u>	<u>12,301,590</u>

#### Deferred inflows of resources:

Unavailable revenue	3,292,892	3,243,402
Pension related deferred inflows	<u>3,163,051</u>	<u>-</u>
Total deferred inflows of resources	<u>6,455,943</u>	<u>3,243,402</u>

#### Net Position:

Net investment in capital asset	5,271,390	5,179,887
Restricted	624,405	158,277
Unrestricted	<u>(2,720,094)</u>	<u>(315,228)</u>
Total net position	<u>\$ 3,175,701</u>	<u>\$ 5,022,936</u>

The above provides a summary of the District's net position for 2015 and 2014.

An additional portion of the District's net position, \$278,885, or 8.8%, represents resources that are subject to external restrictions on how they may be used or their use is narrower than the purpose of the fund in which they are reported. The remaining balance of *unrestricted net position* \$(2,720,094), may be used to meet the government's ongoing obligations to citizens and creditors.

The District's total net position increased by \$899,331 during the year ended June 30, 2015. However, due to the implementation of GASB Statements No. 68 and 71, there was a restatement of net position of \$2,746,566 causing a net decrease of \$1,847,235.

The following summary shows the changes in net position for fiscal years ended June 30, 2015 and 2014:

**The District's Changes in Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 218,377	\$ 233,992
Operating grants and contributions	3,106,334	3,490,413
Capital grants and contributions	20,408	-
General revenues		
Property taxes	3,363,691	3,352,060
Sales taxes	1,276,316	1,293,353
Mixed drink tax	313	282
Grants and contributions not restricted to certain programs	10,371,200	10,602,356
Interest	1,834	2,006
Other miscellaneous revenues	59,899	14,317
Total revenues	<u>18,418,372</u>	<u>18,988,779</u>
<b>Expenses:</b>		
Instruction	\$ 8,732,915	\$ 9,695,189
Support services	6,622,712	6,828,841
Non-instructional services	<u>2,163,414</u>	<u>2,325,161</u>
Total expenses	<u>17,519,041</u>	<u>18,849,191</u>
<b>Change in net position</b>	<u>899,331</u>	<u>139,588</u>
<b>Net position, beginning</b>	5,022,936	5,024,746
<b>Prior period adjustment</b>	<u>(2,746,566)</u>	<u>(141,398)</u>
<b>Net position, beginning - restated</b>	<u>2,276,370</u>	<u>4,883,348</u>
<b>Net position, ending</b>	<u><u>3,175,701</u></u>	<u><u>5,022,936</u></u>

**Governmental activities** Governmental activities increased the District's net position by \$899,331.

Total governmental activities' revenue for the fiscal year ended June 30, 2015 was \$18,418,372 and \$18,988,779 for the year ended June 30, 2014. The largest single revenue source was grants and contributions not restricted for certain programs (including Basic Education Program funds).

**Expense and Program Revenues – Governmental Activities**

Certain revenues are generated that are specific to governmental program activities. See the District-wide Statement of Activities on pages 14 and 15.

## Revenue by Source – Governmental Funds

Total governmental revenues allocated by each revenue type are as follows:

Revenues:	June 30, 2015		June 30, 2014	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 218,377	1%	\$ 233,992	1%
Operating grants and contributions	3,106,334	17%	3,490,413	18%
Capital grants and contributions	20,408	0%	-	0%
General revenues				
Property taxes	3,363,691	18%	3,352,060	18%
Sales taxes	1,276,316	7%	1,293,353	7%
Mixed drink tax	313	0%	282	0%
Grants and contributions not restricted to certain programs	10,371,200	57%	10,602,356	56%
Interest	1,834	0%	2,006	0%
Other miscellaneous revenues	59,899	0%	14,317	0%
Total revenues	<u>\$ 18,418,372</u>	<u>100%</u>	<u>\$ 18,988,779</u>	<u>100%</u>

## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board.

At June 30, 2015, the District's governmental funds reported combined fund balances of \$2,765,378, an increase of \$252,876 in comparison with the prior year. Approximately 55% of this amount \$1,522,024 constitutes *unassigned* fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form \$25,569, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$253,316, 4) committed for particular purposes \$0, or 5) assigned for particular purposes \$964,469.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1,522,024.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.53% of the total general purpose fund expenditures, while total fund balances represents 10.59% of that same amount.

The District's general purpose fund balance increased by \$126,735 during the current fiscal year.

## General Purpose Fund Budgetary Highlights

Differences between the original budgets and the final amended budgets for the years ended June 30, 2015 and 2014 are briefly summarized as follows:

General Purpose Fund	June 30, 2015			June 30, 2014		
	Original	Final	Difference	Original	Final	Difference
<b>Revenues</b>						
Taxes	\$ 4,565,400	\$ 4,565,400	\$ -	\$ 4,473,045	\$ 4,473,045	\$ -
Intergovernmental	11,166,737	11,166,737	-	11,304,146	11,470,576	166,430
Miscellaneous	8,600	8,600	-	16,000	27,635	11,635
Total revenues	<u>15,740,737</u>	<u>15,740,737</u>	<u>-</u>	<u>15,793,191</u>	<u>15,971,256</u>	<u>178,065</u>
<b>Expenditures</b>						
Instruction	8,447,728	8,387,945	(59,783)	8,752,744	8,582,726	(170,018)
Support services	5,938,035	6,104,294	166,259	5,531,523	6,077,706	546,183
Non-instructional services	1,599,359	1,884,362	285,003	1,757,159	2,782,159	1,025,000
Total expenditures	<u>15,985,122</u>	<u>16,376,601</u>	<u>391,479</u>	<u>16,041,426</u>	<u>17,442,591</u>	<u>1,401,165</u>
<b>Net changes in fund balances</b>	<u>\$ (244,385)</u>	<u>\$ (635,864)</u>	<u>\$ (391,479)</u>	<u>\$ (248,235)</u>	<u>\$ (1,471,335)</u>	<u>\$ (1,223,100)</u>

For the year ended June 30, 2014, the increase in the budgeted revenues was mainly due to an increase in State education funds. During the year ended June 30, 2014 and 2015, revenues were more in the general purpose fund than budgetary estimates. The increases in budgeted expenditures were the result of increased payroll and related expenditures, increased utilities, increased capital outlay.

## Capital Asset and Debt Administration

**Capital Assets** The District's investment in capital assets for its governmental funds as of June 30, 2015 and 2014, amounts to \$5,271,390 and \$5,179,887 (net of accumulated depreciation and related debt), respectively. This investment in capital assets includes land, buildings and improvements, and other capital assets (including equipment).

	June 30, 2015			
	July 1, 2014	Additions	Reductions	June 30, 2015
Capital assets not being depreciated:				
Land	\$ 854,415	\$ -	\$ -	\$ 854,415
Work in progress	319,969	-	319,969	-
	<u>1,174,384</u>	<u>-</u>	<u>319,969</u>	<u>854,415</u>
Capital assets being depreciated:				
Buildings and improvements	21,426,811	291,688	-	21,718,499
Other capital assets	2,192,822	177,188	-	2,370,010
	<u>23,619,633</u>	<u>468,876</u>	<u>-</u>	<u>24,088,509</u>
Accumulated depreciation:				
Buildings and improvements	9,116,111	604,869	-	9,720,980
Other capital assets	1,538,475	75,822	-	1,614,297
	<u>10,654,586</u>	<u>680,691</u>	<u>-</u>	<u>11,335,277</u>

	June 30, 2015			June 30, 2015
	July 1, 2014	Additions	Reductions	
Capital assets being depreciated, net	12,965,047	(211,815)	-	12,753,232
Capital assets, net of accumulated depreciation	14,139,431	(211,815)	319,969	13,607,647
Long-term debt related to capital assets	(8,950,000)	(7,365,000)	(8,050,000)	(8,265,000)
Capital assets net of accumulated depreciation and related debt	5,189,431	(7,576,815)	(7,730,031)	5,342,647
Bond discount	-	40,404	1,122	39,282
Bond premium	(9,544)	(113,697)	(12,702)	(110,539)
	(9,544)	(73,293)	(11,580)	(71,257)
Net investment in capital asset	\$ 5,179,887	\$ (7,650,108)	\$ (7,741,611)	\$ 5,271,390

**Long-term debt.** As of June 30, 2015, the District had total bonded debt outstanding of \$8,265,000. As of June 30, 2014, the District had total bonded debt outstanding of \$8,950,000. All debt is backed by the full faith and credit of the government.

In addition to the previous information, the District's obligations include compensated absences and other post employment benefits.

	June 30, 2015	June 30, 2014
Bonds	\$ 8,265,000	\$ 8,950,000
Bond premium	110,539	9,544
Bond premium	(39,282)	9,545
OPEB liability	2,810,238	2,463,452
Compensated absences	81,199	146,453
	\$ 11,227,694	\$ 11,578,994

Additional information regarding the long-term debt of the District can be found in the Notes to the Financial Statements in Note 4F beginning on page 48.

The District maintains an "Aaa" rating by Moody's Investors Service, Inc. (Moody's) for general obligation debt.

### **Economic Factors and Next Year's Budget and Rates**

The unemployment rate for Gibson County is currently 7.4%. The State's average unemployment rate is currently 5.8%. The national average unemployment rate is currently 5.1%. All of the rates are from labor statistics released in August 2015.

All of these factors were considered in preparing the District's budget for the 2015-2016 fiscal year.

The District's unassigned fund balance in the general purpose fund was \$1,522,024, for the fiscal year ending June 30, 2015. Although the District had available fund balance, it was considered necessary to raise taxes during the 2015-2016 fiscal year.

## **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Milan Special School District, 1165 South Main Street, Milan, TN 38358.

## **BASIC FINANCIAL STATEMENTS**

**MILAN SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2015

**Assets:**

Cash and cash equivalents	\$ 3,105,396
Accounts receivable	11,824
Taxes receivable	3,292,892
Due from other governmental agencies - nongrant	88,815
Due from other governmental agencies - grants	301,117
Inventory	25,569
Net pension asset	345,520
Capital assets, not being depreciated:	
Land	854,415
Capital assets, net of accumulated depreciation:	
Buildings and improvements	11,997,519
Other capital assets	755,713
<b>Total assets</b>	<b><u>20,778,780</u></b>

**Deferred outflows of resources:**

Pension contributions subsequent to the measurement date	795,278
Pension- changes in proportion of net pension asset	12,501
Pension - difference between expected and actual experience	83,840
<b>Total deferred outflows of resources</b>	<b><u>891,619</u></b>

**Liabilities:**

Accounts payable	361,653
Retirement payable - employer	158,821
Other accrued expenses	290,587
Long-term liabilities:	
Due within one year:	835,210
Due in more than one year	10,392,484
<b>Total liabilities</b>	<b><u>12,038,755</u></b>

**Deferred inflows of resources:**

Pension - net difference between projected and actual earnings of pension plan investments	3,155,879
Pension - difference between expected and actual experience	7,172
Unavailable revenue - property taxes	3,292,892
<b>Total deferred inflows of resources</b>	<b><u>6,455,943</u></b>

**Net position:**

Net investment in capital assets	5,271,390
Restricted for:	
Net pension asset	345,520
Food service	253,316
Food service - inventory	25,569
Unrestricted	(2,720,094)
<b>Total net position</b>	<b><u>\$ 3,175,701</u></b>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF ACTIVITIES**  
For The Fiscal Year Then Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular education	\$ 6,734,335	\$ -	\$ 688,589	\$ 13,289	\$ (6,032,457)
Alternate education	244,466	-	1,164	-	(243,302)
Special education	1,292,658	-	371,813	-	(920,845)
Vocational education	457,256	-	24,810	-	(432,446)
Adult education	4,200	-	699	-	(3,501)
<b>Support services:</b>					
Attendance	184,322	-	-	-	(184,322)
Health services	193,347	-	-	-	(193,347)
Other student support	564,421	-	132,406	-	(432,015)
Regular education	1,310,027	-	324,293	-	(985,734)
Alternative instruction	16,877	-	-	-	(16,877)
Special education	209,959	-	84,362	-	(125,597)
Vocational education	45,828	-	25,565	-	(20,263)
Board of Education	355,455	-	2,475	-	(352,980)
Office of the Director	210,933	-	1,164	-	(209,769)
Office of the Principal	1,059,299	-	3,493	-	(1,055,806)
Fiscal services	205,650	-	-	-	(205,650)
Human services/personnel	84,652	-	-	-	(84,652)
Operation and maintenance of plant	1,707,375	-	-	-	(1,707,375)
Student transportation	474,567	-	535	-	(474,032)
<b>Non-instructional services:</b>					
Food service	1,016,593	217,277	915,703	7,119	123,506
Community services	-	1,100	19,716	-	20,816
Early Childhood Education	485,739	-	509,547	-	23,808
Capital outlay (under capitalization threshold)	262,545	-	-	-	(262,545)
Debt service (interest and other costs)	398,537	-	-	-	(398,537)
	<u>\$ 17,519,041</u>	<u>\$ 218,377</u>	<u>\$ 3,106,334</u>	<u>\$ 20,408</u>	<u>\$ (14,173,922)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Then Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>General revenues:</b>					
	Property taxes				\$ 3,363,691
	Sales taxes				1,276,316
	Mixed drink tax				313
	Grants and contributions not restricted to certain programs				
	Basic Education Program				10,370,000
	Other				1,200
	Interest				1,834
	Marriage license				750
	Pension income - implementation of GASB No. 68 & 71				27,534
	Insurance recovery				7,807
	Other local revenues				23,808
	<b>Total general revenues</b>				<b><u>15,073,253</u></b>
	<b>Change in net position</b>				<b>899,331</b>
	Net position, beginning				5,022,936
	Restatement - GASB Statement No. 68 and 71 implementation				<u>(2,746,566)</u>
	Net position, beginning - restated				<u>2,276,370</u>
	Net position, ending				<b><u>\$ 3,175,701</u></b>

*The accompanying notes are an integral part of the financial statements.*

## **FUND FINANCIAL STATEMENTS**

**MILAN SPECIAL SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,855,950	\$ 249,446	\$ 3,105,396
Accounts Receivable	-	11,824	11,824
Taxes receivable	3,292,892	-	3,292,892
Due from other			
governments - non grants	88,815	-	88,815
Due from other			
governments - grants	229,160	71,957	301,117
Due from other funds	53,876	-	53,876
Inventory	-	25,569	25,569
<b>Total assets</b>	<b>\$ 6,520,693</b>	<b>\$ 358,796</b>	<b>\$ 6,879,489</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
Liabilities:			
Accounts payable	\$ 354,698	\$ 6,955	\$ 361,653
Retirement payable - employer	158,821	-	158,821
Accrued expenses	246,869	-	246,869
Due to other funds	-	53,876	53,876
Total liabilities	760,388	60,831	821,219
Deferred inflows of resources:			
Unavailable revenue - property taxes	3,292,892	-	3,292,892
Fund balances:			
Nonspendable			
Inventory	-	25,569	25,569
Restricted			
Operation of non-instructional services	-	253,316	253,316
Assigned			
Construction	399,945	19,080	419,025
Other purposes	545,444	-	545,444
Unassigned	1,522,024	-	1,522,024
Total fund balances	2,467,413	297,965	2,765,378
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,520,693</b>	<b>\$ 358,796</b>	<b>\$ 6,879,489</b>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
June 30, 2015**

**Amounts reported for the governmental activities in the statement of net position (Page 13) are different because:**

<b>Fund balance - total governmental funds (Page 16)</b>	<b>\$ 2,765,378</b>
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	13,607,647
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.	345,520
Deferred outflows of resources related to pensions in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds	891,619
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds	(3,163,051)
Some payables are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(43,718)
Long-term liabilities are not due in the current period and therefore are not reported in the funds:	
Bonds payable, notes payable, and leases payable	(8,265,000)
OPEB	(2,810,238)
Accrued leave	(81,199)
Bond discount	39,282
Bond premium	<u>(110,539)</u>
<b>Net position of governmental activities (Page 13)</b>	<b><u>\$ 3,175,701</u></b>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For The Fiscal Year Then Ended June 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 4,640,007	\$ -	\$ 4,640,007
Intergovernmental	11,198,322	2,199,924	13,398,246
Meal sales	-	217,277	217,277
Interest earnings	1,743	15	1,758
Other local revenues	116,017	8,004	124,021
Miscellaneous	25,987	-	25,987
Total revenues	<u>15,982,076</u>	<u>2,425,220</u>	<u>18,407,296</u>
<b>Expenditures:</b>			
Instruction	8,242,062	751,264	8,993,326
Support services	5,820,534	525,838	6,346,372
Food service	-	997,408	997,408
Non-instructional services	9,231,038	-	9,231,038
Total expenditures	<u>23,293,634</u>	<u>2,274,510</u>	<u>25,568,144</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>(7,311,558)</u></b>	<b><u>150,710</u></b>	<b><u>(7,160,848)</u></b>
<b>Other financing sources (uses)</b>			
Proceeds on issuance of bonds	<u>7,438,293</u>	<u>-</u>	<u>7,438,293</u>
<b>Net change in fund balance</b>	<b>126,735</b>	<b>150,710</b>	<b>277,445</b>
Fund balance - beginning	2,340,678	171,824	2,512,502
Increase (decrease) in inventory	<u>-</u>	<u>(24,569)</u>	<u>(24,569)</u>
Fund balance - ending	<u>\$ 2,467,413</u>	<u>\$ 297,965</u>	<u>\$ 2,765,378</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Fiscal Year Then Ended June 30, 2015**

**Amounts reported for the governmental activities in the statement of activities (Pages 14 and 15) are different because:**

<b>Net change in fund balance - total governmental funds (Page 18)</b>	<b>\$</b>	<b>277,445</b>
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlays and disposal of assets		148,907
Depreciation		(680,691)
<p>The change in accrued leave is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities.</p>		
		65,254
<p>The change in OPEB is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities.</p>		
		(346,786)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, these repayments have no effect on net position.</p>		
		8,050,000
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>		
		32,289
<p>The change in inventory is an expenditure in the governmental funds, but the change reduces or increases the net position on the statement of activities.</p>		
		(24,569)
<p>The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.</p>		
		795,278
<p>The actuarially determined pension revenue (expense) does not consume (acquire) current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue (expense) in the statement of activities.</p>		
		25,376
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.</p>		
		(16,459)
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment.</p>		
		(61,713)
<p>The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance increases the liability on the statement of activities.</p>		
		<u>(7,365,000)</u>
<b>Change in net position of governmental activities (Page 15)</b>	<b>\$</b>	<b><u>899,331</u></b>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For The Fiscal Year Then Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>Revenues:</b>				
<b>Taxes:</b>				
Local option sales tax	\$ 1,246,000	\$ 1,246,000	\$ 1,275,323	\$ 29,323
Interstate telecommunications tax	900	900	993	93
	<u>1,246,900</u>	<u>1,246,900</u>	<u>1,276,316</u>	<u>29,416</u>
City/Special School District:				
Current property tax	3,077,400	3,077,400	3,108,969	31,569
Prior year's property tax	125,300	125,300	123,463	(1,837)
Interest and penalty	17,600	17,600	16,375	(1,225)
Payment in lieu of taxes	98,200	98,200	114,884	16,684
	<u>3,318,500</u>	<u>3,318,500</u>	<u>3,363,691</u>	<u>45,191</u>
<b>Total taxes</b>	<b><u>4,565,400</u></b>	<b><u>4,565,400</u></b>	<b><u>4,640,007</u></b>	<b><u>74,607</u></b>
<b>Intergovernmental:</b>				
Licenses and Permits:				
Marriage licenses	750	750	750	-
<b>State revenues:</b>				
State education funds:				
Basic Education Program	10,370,000	10,370,000	10,370,000	-
Early Childhood Education	509,546	509,546	509,546	-
Energy Efficient School Initiative	-	-	2,475	2,475
Driver education	5,500	5,500	24,022	18,522
Other state education funds	160,507	160,507	167,211	6,704
Career Ladder	80,200	80,200	74,365	(5,835)
Career Ladder - Extended Contract	24,375	24,375	25,645	1,270
Special education	15,609	15,609	16,459	850
	<u>11,165,737</u>	<u>11,165,737</u>	<u>11,189,723</u>	<u>23,986</u>
Other State revenues:				
Mixed drink tax	250	250	313	63
Other State Grants	-	-	7,536	7,536
	<u>250</u>	<u>250</u>	<u>7,849</u>	<u>7,599</u>
Total State revenues	<u>11,165,987</u>	<u>11,165,987</u>	<u>11,197,572</u>	<u>31,585</u>
<b>Total intergovernmental</b>	<b><u>11,166,737</u></b>	<b><u>11,166,737</u></b>	<b><u>11,198,322</u></b>	<b><u>31,585</u></b>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Other local revenues:				
Interest earned	\$ 2,200	\$ 2,200	\$ 1,743	\$ (457)
Lease/rentals	400	400	1,100	700
Miscellaneous revenues	500	500	457	(43)
Contributions	1,500	1,500	1,200	(300)
Other local revenues	<u>4,000</u>	<u>4,000</u>	<u>23,230</u>	<u>19,230</u>
<b>Total miscellaneous</b>	<b><u>8,600</u></b>	<b><u>8,600</u></b>	<b><u>27,730</u></b>	<b><u>19,130</u></b>
<b>Total revenues</b>	<b><u>15,740,737</u></b>	<b><u>15,740,737</u></b>	<b><u>15,866,059</u></b>	<b><u>125,322</u></b>

**Expenditures:**

**Instruction:**

Regular instruction program:

Teachers	4,472,051	4,529,683	4,509,277	(20,406)
Career Ladder Program	38,600	41,365	41,365	-
Career Ladder - Extended Contract	15,680	15,680	15,030	(650)
Homebound teachers	3,000	3,213	3,213	-
Salary Supplements	194,800	160,758	159,076	(1,682)
Aides	93,604	93,604	86,830	(6,774)
Bonus Payments	53,000	20,000	18,800	(1,200)
Other Salaries and wages	12,600	10,100	4,372	(5,728)
Substitute teachers	20,000	20,000	13,120	(6,880)
Non-certified substitute teachers	62,400	59,400	50,225	(9,175)
Social Security	308,446	289,733	274,893	(14,840)
State retirement	432,959	430,738	425,192	(5,546)
Medical insurance	477,986	454,986	450,280	(4,706)
Medicare	72,137	69,320	64,890	(4,430)
Licenses	38,528	38,528	52,006	13,478
Maintenance and repair	800	800	78	(722)

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Regular instruction program (cont.):				
Tuition	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Other contracted services	45,600	45,604	47,277	1,673
Data Processing	7,000	7,000	7,000	-
Instructional supplies/materials	58,387	69,012	65,912	(3,100)
Textbooks	83,400	83,400	27,481	(55,919)
Other supplies and materials	100	100	767	667
Other charges	4,100	4,100	500	(3,600)
Equipment	88,100	97,738	89,731	(8,007)
	<u>6,586,278</u>	<u>6,547,862</u>	<u>6,407,315</u>	<u>(140,547)</u>
Alternate instruction program:				
Teachers	127,200	127,200	123,006	(4,194)
Career Ladder	1,000	1,000	1,000	-
Educational assistants	34,000	33,215	30,825	(2,390)
Other salaries and wages	20,500	21,285	21,281	(4)
Certified substitute teachers	200	200	-	(200)
Non-certified substitute teachers	1,800	1,800	1,018	(782)
Social Security	11,526	11,526	8,564	(2,962)
State retirement	12,594	12,594	10,857	(1,737)
Medical insurance	22,345	22,345	21,006	(1,339)
Medicare	2,696	2,696	2,261	(435)
Other Contracted Services	1,200	35,000	35,000	-
Instructional supplies/materials	500	100	31	(69)
	<u>236,761</u>	<u>270,161</u>	<u>255,049</u>	<u>(15,112)</u>
Special education program:				
Teachers	670,667	643,267	628,273	(14,994)
Career Ladder	9,000	6,000	6,000	-
Homebound teachers	2,500	2,500	2,350	(150)
Salary Supplements	7,500	-	-	-
Aides	83,636	82,136	73,413	(8,723)
Speech pathologist	62,638	63,498	63,497	(1)

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Special education program (cont.):				
Bonus Payments	\$ 11,450	\$ 4,950	\$ 4,350	\$ (600)
Substitute teachers	3,800	3,800	2,280	(1,520)
Non-certified substitute teachers	13,200	13,040	4,813	(8,227)
Social Security	53,592	51,592	43,565	(8,027)
State retirement	73,170	70,970	66,543	(4,427)
Medical insurance	83,460	82,660	78,106	(4,554)
Medicare	12,534	12,534	10,189	(2,345)
Contracts with other school systems	16,900	16,900	15,210	(1,690)
Maintenance and repair - equipment	-	4,400	792	(3,608)
Evaluation and Testing	-	633	2,152	1,519
Instructional supplies/materials	400	400	171	(229)
Other supplies and materials	-	-	24	24
	<u>1,104,447</u>	<u>1,059,280</u>	<u>1,001,728</u>	<u>(57,552)</u>
Vocational education program:				
Teachers	352,160	349,760	319,116	(30,644)
Career Ladder	1,800	1,800	1,800	-
Salary Supplements	8,000	8,000	6,416	(1,584)
Bonus Payments	2,700	2,700	100	(2,600)
Substitute teachers	2,100	2,100	720	(1,380)
Non-certified substitute teachers	5,100	6,000	4,873	(1,127)
Social Security	23,055	19,525	17,244	(2,281)
State retirement	30,375	28,375	25,775	(2,600)
Medical insurance	33,710	28,710	26,187	(2,523)
Medicare	5,392	5,392	4,549	(843)
Laundry service	300	300	348	48
Licenses	750	750	-	(750)
Maintenance and repair	200	-	-	-
Instructional supplies	19,800	19,800	20,195	395
Other supplies and materials	100	100	-	(100)
Furniture, fixtures and equipment	<u>30,000</u>	<u>32,630</u>	<u>30,430</u>	<u>(2,200)</u>
	<u>515,542</u>	<u>505,942</u>	<u>457,753</u>	<u>(48,189)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Adult education program:				
Contracts with Other Public Agencies	\$ 4,700	\$ 4,700	\$ 4,200	\$ (500)
<b>Total instruction</b>	<b><u>8,447,728</u></b>	<b><u>8,387,945</u></b>	<b><u>8,126,045</u></b>	<b><u>(261,900)</u></b>
<b>Support Services:</b>				
Attendance:				
Director	33,200	29,200	14,417	(14,783)
Career Ladder	-	600	600	-
Social workers	43,242	118,726	118,526	(200)
Bonus Payments	550	750	300	
Social Security	4,774	9,385	7,040	(2,345)
State retirement	10,037	14,962	12,099	(2,863)
Medical insurance	13,920	23,570	21,507	(2,063)
Medicare	1,116	2,195	1,646	(549)
Communication	300	100	23	(77)
Dues and Memberships	300	300	33	(267)
Licenses	15,920	3,908	3,879	(29)
Printing and postage	160	160	-	(160)
Maintenance and repair - equipment	200	200	-	(200)
Travel	820	820	424	(396)
Other Contracted Services	-	12,012	12,012	-
In-service/staff development	1,500	5,000	3,144	(1,856)
Other charges	500	1,000	466	(534)
	<u>126,539</u>	<u>222,888</u>	<u>196,116</u>	<u>(26,322)</u>
Health Services:				
Supervisor/director	44,678	44,980	44,978	(2)
Medical personnel	64,457	65,757	65,617	(140)
Other salaries and wages	-	19,189	19,185	(4)
Clerical Personnel	33,429	21,970	20,987	(983)
Bonus Payments	1,180	-	-	-
Social Security	7,620	8,615	8,133	(482)
State retirement	10,403	9,785	8,303	(1,482)
Medical insurance	22,919	23,372	23,197	(175)

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Health Services (cont.):				
Medicare	\$ 1,782	\$ 2,081	\$ 1,902	\$ (179)
Dues and memberships	100	200	251	51
Postage	100	147	147	-
Printing, stationery and forms	120	39	39	-
Travel	1,200	1,430	977	(453)
Other contracted services	-	1,190	1,136	(54)
Food supplies	-	989	987	(2)
Other supplies/materials	774	1,705	1,916	211
In-service/staff development	200	1,950	911	(1,039)
Other charges	-	315	315	-
Health equipment	100	2,519	1,202	(1,317)
	<u>189,662</u>	<u>207,783</u>	<u>201,440</u>	<u>(6,343)</u>
Other student support:				
Supervisor/director	56,706	45,706	42,350	(3,356)
Career Ladder	4,800	4,100	4,100	-
Guidance personnel	382,710	296,026	289,855	(6,171)
Salary supplements	5,000	1,500	-	(1,500)
Clerical personnel	5,493	-	-	-
Bonus payments	4,210	3,590	1,200	(2,390)
Other salaries and wages	-	19,380	6,648	(12,732)
Social Security	28,453	20,575	16,351	(4,224)
State retirement	33,625	27,190	25,650	(1,540)
Medical insurance	28,201	16,821	15,333	(1,488)
Medicare	6,654	5,746	4,654	(1,092)
Communication	-	200	25	(175)
Contracts with Governmental Agencies	42,300	42,100	39,888	(2,212)
Dues and memberships	-	400	470	70
Evaluation/testing	27,820	27,820	19,033	(8,787)
Printing, stationery and forms	180	180	-	(180)
Travel	380	5,278	5,264	(14)
Other contracted services	200	7,770	6,928	(842)
Food supplies	-	395	393	(2)
Other supplies and materials	1,000	1,357	715	(642)
In-service/staff development	5,000	6,585	2,359	(4,226)
Other equipment	200	200	-	(200)
Other charges	5,000	11,660	9,878	(1,782)
	<u>637,932</u>	<u>544,579</u>	<u>491,094</u>	<u>(53,485)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Regular education program:				
Regular instruction program	\$ -	\$ -	\$ 447	\$ 447
Director	192,000	234,486	234,483	(3)
Career Ladder	4,500	5,000	5,000	-
Career Ladder - Extended Contract	5,320	5,320	5,320	-
Librarian(s)	182,700	184,200	183,902	(298)
Instructional computer personnel	33,200	41,456	41,455	(1)
Salary supplements	22,000	48,000	47,718	(282)
Aides	47,040	47,040	46,985	(55)
Bonus payment	15,985	9,175	9,175	-
Social Security	34,935	39,418	36,415	(3,003)
State retirement	45,236	52,896	52,678	(218)
Life Insurance	6,350	7,050	5,611	(1,439)
Medical insurance	143,424	136,822	140,202	3,380
Disability Insurance	24,100	24,526	23,641	(885)
Medicare	8,170	9,236	8,522	(714)
Payments to retirees	36,900	36,900	34,966	(1,934)
Other fringe benefits	15,350	15,350	14,508	(842)
Advertising	300	300	176	(124)
Communication	-	120	23	(97)
Dues and memberships	1,200	800	1,157	357
Evaluation and testing	6,000	6,000	-	(6,000)
Licenses	4,069	4,069	4,162	93
Postal charges	-	900	294	(606)
Printing, stationery and forms	570	2,249	149	(2,100)
Travel	260	260	403	143
Other contracted services	38,400	39,400	28,348	(11,052)
Data Processing supplies	800	800	544	(256)
Library books	18,200	15,200	15,221	21
Office supplies	-	1,664	89	(1,575)
Other supplies and materials	700	2,088	3,091	1,003
In-service/staff development	32,450	23,017	20,914	(2,103)
Other charges	150	5,755	10,284	4,529
Other equipment	3,800	11,169	9,698	(1,471)
	<u>984,839</u>	<u>1,095,393</u>	<u>1,067,684</u>	<u>(27,709)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Alternative instruction program:				
Director	\$ 14,217	\$ 14,217	\$ 14,217	\$ -
Career ladder program	200	35	-	(35)
Bonus Payments	300	300	100	(200)
Social Security	912	912	802	(110)
Medical insurance	1,395	1,395	1,359	(36)
Medicare	213	213	188	(25)
Dues and memberships	300	300	-	(300)
Printing, stationary and forms	350	350	-	(350)
Other supplies and materials	100	100	179	79
Inservice/staff development	800	800	-	(800)
	<u>20,197</u>	<u>20,032</u>	<u>18,139</u>	<u>(1,893)</u>
Special education program:				
Director	30,554	33,044	31,244	(1,800)
Salary Supplements	-	7,500	7,500	-
Bonus Payments	520	390	-	(390)
Social Security	1,926	2,326	2,060	(266)
State retirement	2,811	3,491	3,488	(3)
Medical insurance	3,885	3,885	3,558	(327)
Medicare	450	600	482	(118)
Dues and memberships	250	250	250	-
Evaluation and testing	1,100	-	-	-
Travel	300	300	64	(236)
Other contracted services	72,000	76,367	79,486	3,119
Data Processing Supplies	500	500	138	(362)
Other Charges	400	400	90	(310)
Other Equipment	600	600	300	(300)
In-service/staff development	1,500	1,500	342	(1,158)
Other supplies/materials	200	200	479	279
	<u>116,996</u>	<u>131,353</u>	<u>129,481</u>	<u>(1,872)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Vocational education program:				
Director	\$ 10,000	\$ 10,000	\$ 9,996	\$ (4)
Clerical personnel	24,115	24,715	24,208	(507)
Bonus Payments	600	-	-	-
Social security	2,152	2,062	1,878	(184)
State retirement	1,912	1,912	1,879	(33)
Medical insurance	5,965	6,055	6,049	(6)
Medicare	503	503	439	(64)
Dues and Memberships	300	300	-	(300)
Maintenance & Repair Services- Equip	-	200	-	(200)
Postal charges	225	225	-	(225)
Travel	400	400	21	(379)
Other supplies/materials	120	120	288	168
In-service/staff development	1,200	1,200	1,360	160
Other charges	100	100	-	(100)
Office Supplies	300	300	-	(300)
	<u>47,892</u>	<u>48,092</u>	<u>46,118</u>	<u>(1,974)</u>
Board of Education services:				
Secretary to Board	1,434	1,434	1,434	-
Social Security	93	93	70	(23)
Unemployment compensation	30,000	40,000	37,946	(2,054)
Medicare	22	22	16	(6)
Advertising	300	300	877	577
Audit services	31,205	31,205	31,205	-
Dues and memberships	7,093	7,093	7,093	-
Legal services	18,200	22,200	23,774	1,574
Postal Charges	-	600	215	(385)
Other contracted services	2,200	4,200	2,000	(2,200)
Food supplies	3,500	5,000	4,861	(139)
Other supplies and materials	25	25	153	128
Liability insurance	28,632	28,632	28,682	50
Premium on surety bond	2,240	2,240	2,231	(9)
Trustee commissions	90,000	81,000	78,712	(2,288)
Workmen's compensation insurance	118,700	122,062	125,340	3,278

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Board of Education services (cont.):				
In-service/staff development	\$ 8,500	\$ 8,500	\$ 7,817	\$ (683)
Other charges	8,200	5,100	3,028	(2,072)
	<u>350,405</u>	<u>359,767</u>	<u>355,512</u>	<u>(4,255)</u>
Office of the Director of Schools:				
County official/administrative officer	127,627	138,487	135,251	(3,236)
Career Ladder	1,000	1,000	1,000	-
Secretary(ies)	-	1,500	1,441	(59)
Clerical personnel	16,355	16,355	16,200	(155)
Bonus Payments	1,900	1,900	1,525	(375)
Social Security	9,107	9,107	8,400	(707)
State retirement	12,146	12,346	12,338	(8)
Medical insurance	6,204	6,504	6,494	(10)
Medicare	2,130	2,130	2,096	(34)
Advertising	3,666	1,666	1,412	(254)
Communication	5,400	5,400	2,827	(2,573)
Dues and memberships	4,935	4,935	4,935	-
Operating lease payments	13,900	13,900	16,336	2,436
Maintenance and repair	400	400	-	(400)
Printing, stationery and forms	500	500	264	(236)
Travel	2,000	1,200	629	(571)
Other contracted services	800	800	37	(763)
Food supplies	2,200	2,200	714	(1,486)
Other supplies and materials	-	300	272	(28)
In-service/staff development	8,500	4,200	3,477	(723)
Other charges	2,000	500	42	(458)
Equipment	3,650	3,150	2,504	(646)
	<u>230,020</u>	<u>234,080</u>	<u>222,959</u>	<u>(11,121)</u>
Office of the Principal:				
Principals	256,710	261,610	261,572	(38)
Career Ladder	3,000	3,000	3,000	-
Accountants/Bookkeepers	66,585	62,785	62,618	(167)
Assistant(s)	363,150	388,030	381,418	(6,612)

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Office of the Principal (cont.):				
Salary Supplements	\$ 2,000	\$ -	\$ -	\$ -
Secretary(s)	174,720	173,220	171,682	(1,538)
Temporary Personnel	-	4,400	3,540	(860)
Bonus payments	20,150	12,950	12,050	(900)
Social Security	54,952	51,852	51,225	(627)
State retirement	72,790	70,590	68,811	(1,779)
Medical insurance	90,830	69,130	69,003	(127)
Medicare	12,852	12,952	11,980	(972)
Advertising	-	-	-	-
Communication	11,200	8,982	9,149	167
Dues and memberships	2,700	850	664	(186)
Licenses	-	2,250	2,570	320
Maintenance and Repair Service	-	118	117	(1)
Postal charges	5,000	5,000	5,000	-
Printing, stationery and forms	200	200	-	(200)
Travel	1,500	1,500	1,806	306
Other contracted services	300	300	600	300
Office supplies	2,000	2,000	2,000	-
Other Supplies and Materials	200	200	-	(200)
In-service/staff development	-	6,720	2,537	(4,183)
Other charges	4,200	2,400	2,400	-
Administration equipment	1,224	2,424	2,630	206
	<u>1,146,263</u>	<u>1,143,463</u>	<u>1,126,372</u>	<u>(17,091)</u>
Fiscal services:				
Director	76,870	78,145	78,144	(1)
Accountants/bookkeepers	79,500	79,900	79,888	(12)
Bonus payments	2,400	1,700	1,700	-
Social Security	9,844	9,804	8,772	(1,032)
State retirement	6,398	6,438	6,437	(1)
Medicare	2,302	2,302	2,052	(250)
Dues and memberships	375	375	35	(340)
Licenses	12,375	12,375	10,112	(2,263)
Printing, stationery and forms	600	600	1,216	616

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Fiscal services (cont.):				
Travel	\$ 70	\$ 70	\$ -	\$ (70)
Other contracted services	-	400	-	(400)
Data processing supplies	-	300	183	(117)
Office supplies	400	400	387	(13)
In-service/staff development	2,100	2,100	3,119	1,019
Other charges	-	-	150	150
Equipment	200	200	1,045	845
	<u>213,604</u>	<u>214,579</u>	<u>211,924</u>	<u>(2,655)</u>
Human services/personnel:				
Supervisor/director	33,696	33,896	33,270	(626)
Clerical personnel	23,475	25,875	25,699	(176)
Bonus payments	1,035	1,235	1,190	(45)
Other salaries & wages	-	1,400	1,327	(73)
Social security	3,609	3,649	3,289	(360)
State retirement	4,172	4,227	4,125	(102)
Medical insurance	6,825	7,721	7,713	(8)
Medicare	844	853	789	(64)
Advertising	900	550	449	(101)
Dues and memberships	250	250	50	(200)
Evaluation and testing	450	-	-	-
Licenses	6,320	6,320	6,239	(81)
Maintenance and repair services	300	300	-	(300)
Postal charges	350	350	-	(350)
Travel	800	800	504	(296)
Food supplies	-	100	219	119
Office supplies	400	400	249	(151)
Periodicals	1,500	1,500	-	(1,500)
Other supplies and materials	600	600	818	218
In-service/staff development	1,800	1,800	898	(902)
Other charges	1,250	1,250	1,845	595
Equipment	1,000	500	-	(500)
	<u>89,576</u>	<u>93,576</u>	<u>88,673</u>	<u>(4,903)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and maintenance of plant:				
Operation of plant:				
Janitorial services	\$ 337,900	\$ 337,900	\$ 337,425	\$ (475)
Disposal fees	34,100	34,100	40,978	6,878
Custodial supplies	400	400	-	(400)
Electricity	394,000	394,000	360,336	(33,664)
Natural gas	80,500	80,500	59,291	(21,209)
Water and sewer	44,000	44,000	34,565	(9,435)
Boiler insurance	4,700	4,700	4,699	(1)
Building and contents insurance	88,950	85,606	85,606	-
	984,550	981,206	922,900	(58,306)
Maintenance of plant:				
Director	47,030	47,430	47,335	(95)
Salary Supplements	2,000	2,000	-	(2,000)
Maintenance personnel	84,800	83,900	66,725	(17,175)
Bonus payments	1,300	1,300	1,300	-
Other salaries and wages	8,000	8,000	6,140	(1,860)
Social Security	8,874	8,874	7,188	(1,686)
State retirement	5,378	5,878	5,084	(794)
Medical insurance	11,275	11,275	9,253	(2,022)
Medicare	2,075	2,075	1,681	(394)
Advertising	-	300	234	(66)
Communication	1,500	1,500	1,068	(432)
Consultants	-	2,475	2,475	-
Contracts with Government Agencies	5,000	5,000	7,652	2,652
Dues and Memberships	200	200	150	(50)
Rentals	100	100	1,200	1,100
Permits	200	200	-	(200)
Maintenance and repair - equipment	65,000	62,700	47,891	(14,809)
Pest control	1,200	1,200	2,160	960
Other contracted services	52,600	52,780	63,419	10,639
Maintenance and repair - service	-	2,000	930	(1,070)
Other supplies and materials	10,900	10,900	1,717	(9,183)

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Maintenance of plant (cont.):				
In-service/staff development	\$ 400	\$ 400	\$ -	\$ (400)
Other charges	100	100	-	(100)
Other equipment	10,390	11,853	26,150	14,297
	<u>318,322</u>	<u>322,440</u>	<u>299,752</u>	<u>(22,688)</u>
 Total operation and maintenance of plant	 <u>1,302,872</u>	 <u>1,303,646</u>	 <u>1,222,652</u>	 <u>(80,994)</u>
 Student transportation:				
Director	33,698	34,198	33,570	(628)
Bus drivers	141,758	129,136	125,053	(4,083)
Clerical personnel	14,268	14,268	12,243	(2,025)
Bonus payments	5,920	5,420	4,180	(1,240)
Other salaries and wages	77,255	78,863	72,550	(6,313)
Social Security	16,920	16,237	14,786	(1,451)
State retirement	13,825	13,369	9,537	(3,832)
Medical insurance	6,212	6,212	5,758	(454)
Medicare	3,957	3,798	3,459	(339)
Advertising	100	100	-	(100)
Communication	900	900	58	(842)
Contracts with other school systems	55,000	55,000	57,411	2,411
Contracts with vehicle owners	1,500	15,609	11,060	(4,549)
License	100	100	-	(100)
Maintenance and repair - equipment	900	900	1,259	359
Maintenance and repair - vehicle	2,200	1,430	86	(1,344)
Medical and dental services	1,400	1,400	1,520	120
Printing, stationary and forms	100	100	655	555
Rentals	1,800	1,800	950	(850)
Travel	50	50	179	129
Permits	-	770	770	-
Other contracted services	900	900	796	(104)
Diesel fuel	66,200	61,228	44,348	(16,880)
Food supplies	325	325	1,566	1,241
Gasoline	7,400	7,400	4,624	(2,776)
Other supplies and materials	500	500	1,154	654

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student transportation (cont.):				
Vehicle and equipment insurance	\$ 26,450	\$ 26,450	\$ 26,431	\$ (19)
In-service/staff development	1,500	1,500	952	(548)
Other charges	100	100	-	(100)
Transportation equipment	-	7,000	7,415	415
	<u>481,238</u>	<u>485,063</u>	<u>442,370</u>	<u>(42,693)</u>
<b>Total support services</b>	<b><u>5,938,035</u></b>	<b><u>6,104,294</u></b>	<b><u>5,820,534</u></b>	<b><u>(283,310)</u></b>
<b>Non-Instructional Services:</b>				
Early Childhood Education				
Supervisor/director	18,750	19,368	19,368	-
Teachers	193,400	189,782	189,782	-
Salary Supplements	2,500	2,500	2,500	-
Clerical personnel	1,060	5,493	5,492	(1)
Educational assistants	161,600	150,771	150,771	-
Bonus Payments	3,600	1,050	1,050	-
Substitute teachers	300	90	90	-
Non-certified substitute teachers	1,000	220	220	-
Social Security	23,697	19,693	19,693	-
State retirement	27,365	24,425	24,425	-
Medical insurance	38,710	50,076	50,076	-
Medicare	5,542	4,609	4,609	-
Advertising	-	176	175	(1)
Dues and memberships	-	184	184	-
Maintenance & Repair Services- Equip	100	-	-	-
Travel	100	196	196	-
Other contracted services	15,395	14,481	14,481	-
Food supplies	2,500	1,379	1,379	-
Instructional supplies and materials	8,427	15,585	15,585	-
Other supplies and materials	500	4,590	4,590	-
In-service/staff development	2,500	231	231	-
Other charges	500	-	-	-
Other equipment	2,000	4,650	4,650	-
	<u>509,546</u>	<u>509,549</u>	<u>509,547</u>	<u>(2)</u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Capital outlay:				
Other construction	\$ -	\$ 150,000	\$ 93,160	\$ (56,840)
Other capital outlay	<u>35,000</u>	<u>170,000</u>	<u>135,925</u>	<u>(34,075)</u>
	<u>35,000</u>	<u>320,000</u>	<u>229,085</u>	<u>(90,915)</u>
Debt service:				
Principal on bonds	-	700,000	8,050,000	7,350,000
Interest on bonds	-	353,363	353,363	-
Principal on notes	700,000	-	-	-
Interest on notes	353,363	-	-	-
Other debt issuance charges	-	-	88,293	88,293
Other debt service	<u>1,450</u>	<u>1,450</u>	<u>750</u>	<u>(700)</u>
	<u>1,054,813</u>	<u>1,054,813</u>	<u>8,492,406</u>	<u>7,437,593</u>
<b>Total non-instructional services</b>	<b><u>1,599,359</u></b>	<b><u>1,884,362</u></b>	<b><u>9,231,038</u></b>	<b><u>7,346,676</u></b>
<b>Total expenditures</b>	<b><u>15,985,122</u></b>	<b><u>16,376,601</u></b>	<b><u>23,177,617</u></b>	<b><u>6,801,466</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (244,385)</b>	<b>\$ (635,864)</b>	<b>\$ (7,311,558)</b>	<b>\$ (6,676,144)</b>
<b>Other financing sources (uses)</b>				
Proceeds on issuance of bonds	<u>-</u>	<u>-</u>	<u>7,438,293</u>	<u>7,438,293</u>
<b>Net changes in fund balance</b>	<b><u>\$ (244,385)</u></b>	<b><u>\$ (635,864)</u></b>	<b><u>\$ 126,735</u></b>	<b><u>\$ 762,149</u></b>
Fund balance - beginning			<u>2,340,678</u>	
<b>Fund balance - ending</b>			<b><u>\$ 2,467,413</u></b>	

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

**Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Inflows/revenues:</b>				
Actual amounts (budgetary basis)			\$ 15,866,059	\$ 125,322
Differences - budget to GAAP:				
Fringe benefits - noncash			<u>116,017</u>	<u>116,017</u>
Expenditures and Changes in Fund Balances - Governmental Funds			<u>15,982,076</u>	<u>241,339</u>
<b>Outflows/expenditures:</b>				
Actual amounts (budgetary basis)			23,177,617	6,801,466
Differences - budget to GAAP:				
Fringe benefits - noncash			<u>116,017</u>	<u>116,017</u>
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>23,293,634</u>	<u>6,917,483</u>
<b>Other financing sources (uses)</b>			<u>7,438,293</u>	<u>7,438,293</u>
<b>Net changes in fund balance</b>			<u><b>\$ 126,735</b></u>	<u><b>\$ 762,149</b></u>

*The accompanying notes are an integral part of the financial statements.*

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Milan Special School District (the District) was created by an act to amend Chapter 504 of the Private Acts of 1945 as amended by Chapter 82 of the Private Acts of 1981. This act was passed by the General Assembly of the State of Tennessee on July 23, 1981. The purpose of the Milan Special School District is to operate and administer the City of Milan's public schools.

The seven-member school board, which is the governing authority, is elected by the public, approves its own budgets and controls surpluses and deficits, has the authority to issue debt and to levy taxes, and has control over hiring and firing employees.

The Districts financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as promulgated by Governmental Accounting Standards Board (GASB). As required by GAAP, these financial statements present all funds, which comprise the District. These financial statements present the District as "The Primary Government" and there are no component units or entities for which the District is considered financially accountable, which should be included.

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

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The general purpose fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Position or Equity**

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Investments for the District are reported at fair value. The State Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

***Receivables and Payables***

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds".

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied, billed and mailed on October 1. The payment due dates are October 1 through February 28 and become

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

delinquent on March 1. The property taxes are collected by the Trustee of Gibson County and remitted to the District. District property tax revenues are recognized in the period for which they were levied.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred in the governmental fund statements until they become current receivables.

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred (\$100) assessment of real and personal property located within the District. The current property tax is \$1.84 on every \$100 of real and personal property located within the District.

***Inventories***

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method. The Cafeteria Fund maintains an inventory consisting of food supplies using the purchases method and expenses inventory when purchased throughout the year. At year-end, the actual cost of the items in inventory is used to capitalize the inventory, with a corresponding entry to nonspendable fund balance in the Cafeteria Fund. For the government-wide statements, inventory is converted to the consumption method.

***Capital Assets***

Capital assets, which include land, buildings and improvements, and other capital assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of two years.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following useful lives:

Buildings and improvements	20 – 50 years
Other capital assets	4 – 20 years

***Unearned Revenue***

Unearned revenue includes resources that have been received, but not yet earned.

***On Behalf Payments for Fringe Benefits***

The District records on-behalf payments made by the State of Tennessee to be used for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the GAAP basis district-wide and general fund financial statements, but are not budgeted and, therefore, are not included in the general purpose fund budgetary basis financial statements.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

***Compensated Absences***

Vacation Leave – All support personnel who are employed 12 months per year earn one day of vacation for each twenty days of employment and all support personnel employed for 10 or 11 months shall earn one day of vacation for each twenty days of employment. The maximum that any employee could accumulate would be 24 days. Therefore, in the event that an employee leaves employment, they will be paid only for a maximum of the 24 days. This policy was enacted in the year ended June 30, 2002. At the time of implementation, some employees had accumulated greater than the maximum allowed by the policy. These employees were given a 24-month grace period in which to use the accumulated days.

Sick Leave – All support personnel and certified employees earn one day of sick leave for each month of employment. Sick leave days may be accumulated to an unlimited number. At the time employment is terminated, all unused sick leave that has accumulated shall be used for retirement service credit.

***Long-term Liabilities***

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period paid.

In the fund financial statements, the governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows 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 outflow of resources (expense/expenditure) until then. The items that qualify for reporting as deferred outflows of resources are disclosed on page 13.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as deferred outflows of resources are disclosed on pages 13 and 16.

***Summary of Significant Accounting Policies***

*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 District's participation in the Public Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' 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

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

with the benefit terms of the Teacher Legacy Pension Plan, Teacher Retirement Plan, and District's participation in the Public Employee Retirement Plan, respectively. Investments are reported at fair value.

***Impact of Recently Issued Accounting Pronouncements***

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The implementation of this statement resulted in a restatement of beginning net position for (\$2,746,566). Net pension liability and deferred inflows and outflows of resources on the government wide statement are now reported.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require the beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The implementation of this statement resulted in a restatement of net position in the government wide statement of activities to report the beginning deferred outflows of resources.

**Net position flow assumption**

Sometimes the government will find outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

***Fund Equity***

The District has evaluated the use of its Capital Projects fund under the criteria set forth in GASB Statement 54 and has determined that there is no change needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Nonspendable fund balance**

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted fund balance**

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**Committed fund balance**

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Education of the Milan Special School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

**Assigned fund balance**

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 – RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds, notes payable and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$11,227,694) are as follows:

School bonds payable, Series 2015	\$ 7,365,000
School bonds payable, Series 2008	900,000
Bond premium	110,539
Bond discount	(39,282)
OPEB liability	2,810,238
Compensated absences	81,199
	<u>\$ 11,227,694</u>

Another element of that reconciliation explains that “capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds.” The details of this \$13,607,647 are as follows:

Land	\$ 854,415
Buildings and improvements	21,718,499
Other capital assets	2,370,010
	<u>24,942,924</u>
Less accumulated depreciation	(11,335,277)
Net investment in capital assets	<u>\$ 13,607,647</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the District-wide Statement of Activities**

Another element of that reconciliation states that “the change in accrued leave is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities.” The details of this \$65,254 are as follows:

Accrued leave as of June 30, 2014	\$ 146,453
Accrued leave as of June 30, 2015	(81,199)
	<u>\$ 65,254</u>

Another element of that reconciliation states that “the change in OPEB is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities.” The details of this (\$346,786) are as follows:

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

OPEB Liability as of June 30, 2014	\$ 2,463,452
OPEB Liability as of June 30, 2015	<u>(2,810,238)</u>
	<u>\$ (346,786)</u>

One element of that reconciliation states that “the repayment of the principal of long-term debt is expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.” The details of this \$8,050,000 are as follows:

Principal repayments:	
School bonds payable, Series 2005	\$ 7,950,000
School bonds payable, Series 2009	<u>100,000</u>
	<u>\$ 8,050,000</u>

Another element of that reconciliation states that “interest is reported as an expenditure in the governmental funds, but it is accrued on outstanding debt on the statement of activities.” The details of this \$32,289 are as follows:

Accrued interest as of June 30, 2014	\$ 76,007
Accrued interest as of June 30, 2015	<u>(43,718)</u>
	<u>\$ 32,289</u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.” The details of this (\$16,458) are as follows:

Unavailable grant revenue as of June 30, 2014	\$ (16,459)
Unavailable grant revenue as of June 30, 2015	<u>-</u>
	<u>\$ (16,459)</u>

Another element of that reconciliation states that “the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment.” The details of this (\$16,458) are as follows:

Issuance of new debt:	
Bond discount	\$ 40,404
Bond premium	<u>(113,697)</u>
	<u>(73,293)</u>
Amortization of bond premium	12,702
Amortization of bond discount	<u>(1,122)</u>
	<u>11,580</u>
	<u>\$ (61,713)</u>

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for on-behalf revenues and expenses included in the general purpose fund. The District approves a budget for the education capital projects fund based on the project. It is not an annual budget and therefore no budget to actual comparative statement is presented for the education capital projects fund. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District's policy is to not allow expenditures to exceed budgetary amounts at the total function level without obtaining additional appropriation approval from the Board of Education. Line-item transfers within major categories are made upon recommendation of the Director of Schools and approval by the board. All funds expenditures were under budget with the exception of the general fund as noted on page 35 of the financials. The total debt service function expenditures exceeded the budget by \$7,437,593.

**NOTE 4 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

***Custodial Credit Risk***

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, all bank deposits were fully collateralized or insured.

GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires investments with a remaining maturity of one year or more to be reported at fair value. The District had no investments as of June 30, 2015.

The following is a summary of cash and cash equivalents as of June 30, 2015.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

Cash in bank	\$ 2,700,534
Local Government Investment Pool	<u>404,862</u>
Total cash and cash equivalents	<u>\$ 3,105,396</u>

**B. Receivables**

Receivables as of the year end for the government's individual major funds and non-major funds in the aggregate are as follows:

	General	Nonmajor Funds	Total
Receivables:			
Accounts	\$ -	\$ 11,824	\$ 11,824
Taxes	3,292,892	-	3,292,892
Grants	229,160	71,957	301,117
Intergovernmental	<u>88,815</u>	-	<u>88,815</u>
Total receivables	<u>\$ 3,610,867</u>	<u>\$ 83,781</u>	<u>\$ 3,694,648</u>

Amounts in the General Fund called "due from other governmental agencies" represent the normal amounts due from state and county governments for shared revenues and tax allocations.

Management determined that all receivables were collectable and no allowance was considered necessary.

Property tax is unavailable due to the 2015 tax levy not being due and payable until October 2015. Therefore, the funds are unavailable to the District as of June 30, 2015.

The following revenues are unavailable in the fund statements based on the district not receiving the funds within 60 days of year end.

	<u>Unavailable</u>
General Fund	
Property taxes	<u>\$ 3,292,892</u>

**C. Interfund Receivables and Payables**

The interfund payable from the federal projects fund to the general fund is for the negative cash balance in the pooled bank account at the end of the year.

The composition of balances as of June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General Purpose	Federal Projects	\$ 53,876
		53,876
Elimination for district-wide statements		(53,876)
		<u>\$ -</u>

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**D. Capital Assets**

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

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 854,415	\$ -	\$ -	\$ 854,415
Work in progress	319,969	-	319,969	-
	<u>1,174,384</u>	<u>-</u>	<u>319,969</u>	<u>854,415</u>
Capital assets being depreciated:				
Buildings and improvements	21,426,811	291,688	-	21,718,499
Other capital assets	2,192,822	177,188	-	2,370,010
	<u>23,619,633</u>	<u>468,876</u>	<u>-</u>	<u>24,088,509</u>
Accumulated depreciation:				
Buildings and improvements	(9,116,111)	(604,869)	-	(9,720,980)
Other capital assets	(1,538,475)	(75,822)	-	(1,614,297)
	<u>(10,654,586)</u>	<u>(680,691)</u>	<u>-</u>	<u>(11,335,277)</u>
Total capital assets being depreciated, net	<u>12,965,047</u>	<u>(211,815)</u>	<u>-</u>	<u>12,753,232</u>
Total capital assets, net	<u>\$ 14,139,431</u>	<u>\$ (211,815)</u>	<u>\$ 319,969</u>	<u>\$ 13,607,647</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Instruction:</b>	
Regular education	\$ 3,277
Vocational education	1,914
<b>Support services:</b>	
Operation and maintenance of plant	461,905
Student transportation	40,958
<b>Non-instructional services:</b>	
Capital outlay	161,960
Food service	10,677
	<u>\$ 680,691</u>

**E. Leases**

***Operating Leases***

The District has entered into a two lease agreements as lessee for a copier on both agreements. These lease agreements qualify as operating leases for accounting purposes. The first lease is for a forty-eight month period with monthly payments of \$240. The second lease is for a sixty month period with monthly payments of \$2,225.

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

The future minimum lease payments as of June 30, 2015, were as follows:

<u>Year Ended June 30,</u>	
2016	\$ 26,700
2017	11,125
	<u>\$ 37,825</u>

The lease expense for the year ended June 30, 2015 was \$29,580.

**F. Long-term Debt**

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences and OPEB, as of June 30, 2015 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 800,000	\$ 184,200	\$ 984,200
2017	835,000	166,550	1,001,550
2018	865,000	147,850	1,012,850
2019	895,000	128,550	1,023,550
2020	925,000	75,150	1,000,150
2020-2024	3,945,000	205,975	4,150,975
	<u>\$ 8,265,000</u>	<u>\$ 908,275</u>	<u>\$ 9,173,275</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable:					
School Bonds, Series 2005 3.50% to 4.10% interest, payable serially through 2024	\$ 7,950,000	\$ -	\$ 7,950,000	\$ -	\$ -
School Bonds, Series 2008 3.00% to 4.375% interest, payable serially through 2024	1,000,000	-	100,000	900,000	100,000
School Bonds, Series 2015 2.00% interest, payable serially through 2024	-	7,365,000	-	7,365,000	700,000
Bond discount	-	(40,404)	(1,122)	(39,282)	(4,489)
Bond premium	9,544	113,697	12,702	110,539	12,633
Total bonds payable	8,959,544	7,438,293	8,061,580	8,336,257	808,144
Other post employment benefits	2,463,452	346,786	-	2,810,238	-
Compensated absences	146,453	-	65,254	81,199	27,066
Total long-term liabilities	<u>\$ 11,569,449</u>	<u>\$ 7,785,079</u>	<u>\$ 8,126,834</u>	<u>\$ 11,227,694</u>	<u>\$ 835,210</u>

The General Fund is used to liquidate compensated absences.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

During the year ended June 30, 2015, the District issued \$7,365,000 of school refunding bonds for the purpose of providing funds to refund the District's School Bonds, Series 2005, maturing April 1, 2015 through April 1, 2024, inclusive, and to pay costs of issuance on the bonds. The advance refunding was undertaken to reduce the total debt service payments over the next ten years by \$790,428 and resulted in a net present value benefit of \$730,600.

The District issued school bonds for the purpose of providing funds for the acquisition and construction of a new school building. During the year ended June 30, 2005, additional school bonds were issued to refund a portion of the School Bonds, Series 2001. The principal not refunded totaled \$775,000.

During the year ended June 30, 2005, the District issued \$9,355,000 of school refunding bonds for the purpose of providing funds to refund a portion of the District's School Bonds, Series 2001, maturing April 1, 2006 through April 1, 2024, inclusive, and to pay costs of issuance on the bonds. The refunded bonds are considered defeased and the liability has been removed from the statement of net position except for the portion not refunded. The advance refunding was undertaken to reduce the total debt service payments over the next fifteen years by \$489,012 and resulted in a net present value benefit of \$356,518. At June 30, 2010, defeased bonds of \$9,065,000 were still outstanding.

These defeased bonds were retired April 1, 2011.

The District issued school bonds for the purpose of providing funds for the acquisition and construction of a new school building. During the year ended June 30, 2010, additional school bonds were issued to refund a portion of the School Bonds, Series 2005. The principal not refunded totaled \$745,451.

During the year ended June 30, 2010, the District issued \$1,770,000 of school refunding and improvement bonds for the purpose of providing funds to refund a portion of the District's School Bonds, Series 1997, maturing April 1, 2011, April 1, 2012, and April 1, 2014, inclusive, and to pay costs of issuance on the bonds. The refunded bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2011, defeased bonds of \$1,315,000 were still outstanding. These defeased bonds retired April 1, 2014.

**NOTE 5 – OTHER INFORMATION**

**A. Pensions**

***Teacher Legacy Pension Plan of Tennessee Consolidated Retirement System***

**Plan description**

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

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits provided**

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

**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 Milan Special School District for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$702,345 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

**Pension asset**

At June 30, 2014, the Milan Special School District reported an asset of \$34,534 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Milan Special School District's proportion of the net pension liability was based on Milan Special School District's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Milan Special School District's proportion was 0.212522 percent. The proportion measured as of June 30, 2013 was 0.211636 percent.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**Pension income**

For the year ended June 30, 2015, Milan Special School District recognized a pension income of \$27,534.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2015, Milan Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 83,840	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,845,373
Changes in proportion of Net Pension Liability (Asset)	12,501	-
Contributions subsequent to the measurement date of June 30, 2014	<u>702,345</u>	<u>-</u>
Total	<u>\$ 798,686</u>	<u>\$ 2,845,373</u>

Milan Special School District employer contributions of \$702,345, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$(695,287)
2017	(695,287)
2018	(695,287)
2019	(695,287)
2020	16,057
Thereafter	16,057

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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

**Discount rate**

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

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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 (asset) to changes in the discount rate**

The following presents Milan Special School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Milan Special School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Milan Special School District's proportionate share of the net pension liability (asset)	\$ 5,824,531	\$ (34,534)	\$ (4,885,204)

**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, 2015, Milan Special School District reported a payable of \$154,068 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

***Teacher Retirement Plan of Tennessee Consolidated Retirement System***

**Plan description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Milan Special School District 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 is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$17,198, which is 4.0 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

**Pension liabilities**

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

**Pension expense**

Since the measurement date is June 30, 2014, Milan Special School District did not recognize a pension expense at June 30, 2015.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2015, Milan Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to the measurement date of June 30, 2014	\$ <u>17,198</u>	<u>-</u>

Milan Special School District's employer contributions of \$17,198 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

**Payable to the Pension Plan**

At June 30, 2015, Milan Special School District reported a payable of \$4,753 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

***Political Subdivision Pension Plan***

**Plan Description**

Employees of Milan Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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 are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**Employees Covered by Benefit Terms**

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	51
Active employees	92
	175
	175

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Milan Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Milan Special School District were \$75,735 based on a rate of 4.02% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Milan Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Milan Special School District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Milan Special School District 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.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balance at 6/30/13</b>	\$ 4,329,871	\$ 4,259,295	\$ 70,576
<b>Changes for the year:</b>			
Service cost	163,039	-	163,039
Interest	331,332	-	331,332
Differences between expected and actual experience	(8,606)	-	(8,606)
Contributions- employer	-	66,042	(66,042)
Contributions- employees	-	96,839	(96,839)
Net investment income	-	707,921	(707,921)
Benefit payments, including refunds of employee contributions	(150,297)	(150,297)	-
Administrative expense	-	(3,475)	3,475
<b>Net changes</b>	<u>335,468</u>	<u>717,030</u>	<u>(381,562)</u>
<b>Balance at 6/30/14</b>	<u>\$ 4,665,339</u>	<u>\$ 4,976,325</u>	<u>\$ (310,986)</u>

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

The following presents the net pension liability (asset) of Milan Special School District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Milan Special School District's net pension liability (asset)	\$ 351,005	\$ (310,986)	\$ (861,653)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**Pension Expense**

For the year ended June 30, 2015, Milan Special School District recognized pension expense of \$2,158.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2015, Milan Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 7,172
Net difference between projected and actual earnings on pension plan investments	-	310,506
Contributions subsequent to the measurement date of June 30, 2014	75,735	-
Total	\$ 75,735	\$ 317,678

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

<b><u>Year Ended June 30:</u></b>	
2016	\$ (79,060)
2017	(79,060)
2018	(79,060)
2019	(79,060)
2020	(1,434)
Thereafter	-

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

**Payable to the Pension Plan**

At June 30, 2015, Milan Special School District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**B. Postemployment Healthcare Plan**

***Plan Description***

The District participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

***Funding Policy***

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The District pays all of its retiree's premiums.

ARC	\$ 488,000
Interest on NPO	110,855
Adjustment to the ARC	<u>(95,999)</u>
Annual OPEB cost	502,856
Amount of contribution	<u>(156,070)</u>
Increase/decrease in NPO	346,786
Net OPEB obligation - beginning of year	<u>2,463,452</u>
Net OPEB obligation - end of year	<u><u>\$2,810,238</u></u>

<u>Year End*</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2014	Teacher Group	\$ 502,856	38%	\$ 2,810,238
6/30/2014	Teacher Group	474,609	38%	2,463,452
6/30/2013	Teacher Group	646,031	26%	2,170,908

***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2015, was as follows:

	<b><u>Teacher Group Plan</u></b>
Actuarial valuation date	7/1/2015
Actuarial accrued liability (AAL)	\$ 4,446,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,446,000</u>
Actuarial Value of Assets as a % of the AAL	-
Covered payroll (active plan members)	\$ 10,084,622
UAAL as a percentage of covered payroll	44.09%

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions***

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2018. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

**C. On-Behalf Payments for Fringe Benefits and Salaries**

The District recognizes as revenues and expenses contribution made by the State of Tennessee to the Teacher Group Plan and the Medicare Supplement Plan on behalf of the District's employees. In fiscal year 2015 the State made contributions of \$116,017.

**D. Contingent Liabilities and Losses**

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 District's management expects such amounts, if any, to be immaterial.

**E. Risk Management**

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee Risk Management Trust (TNRMT) which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

The District pays an annual premium to this pool for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. TNRMT reinsures through commercial insurance companies for claims in excess of \$100,000 for each uninsured event. The District's premiums are calculated based on its claims history. The District continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years and there has been no significant reduction in coverage.

**F. Restatement of beginning net position – GASB Statement No. 68 implementation**

As of July 1, 2014, a restatement of beginning net position was made for net pension asset and pension related deferred outflows of resources due to the District implementing GASB Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27 and Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of GASB Statement No. 68 and 71 resulted in the System restating July 1, 2014 net position by (\$2,746,566) in the governmental activities with a measurement date of June 30, 2014.

**G. Subsequent Event**

An agreement was made on November 17, 2015, to pay the previous Director of Schools a total of approximately \$173,000 over the next five years. The District agrees to pay the previous Director of Schools the remainder of her contracted salary through March of 2016, a lump sum of \$30,000 in January 2016, and her portion of the State retirement insurance premiums through 2020 until she turns 65 (the 55% of the State retirement insurance that the State does not cover). The agreement to pay the State retirement insurance premiums will terminate if she obtains employment that offers comparable insurance coverage.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET**  
**TEACHER LEGACY PENSION PLAN OF TCRS**  
Fiscal Year Ended June 30\*

	<b>2014</b>
Milan Special School District's proportion of the net pension asset	0.212522%
Milan Special School District's proportionate share of the net pension asset	\$ 34,534
Milan Special School District's covered employee payroll	\$ 8,341,471
Milan Special School District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

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

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

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
TEACHER LEGACY PENSION PLAN OF TCRS  
Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 740,724	\$ 702,345
Contributions in relation to the actuarially determined contributions	<u>740,724</u>	<u>702,345</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,341,471	\$ 7,769,894
Contributions as a percentage covered-employee payroll	8.88%	9.04%

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.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
TEACHER RETIREMENT PLAN OF TCRS  
Fiscal Year Ending June 30**

	<b>2015</b>
Actuarially determined contribution (ADC)	\$ 10,749
Contributions in relation to the actuarially determined contributions	17,198
Contribution deficiency (excess)	\$ (6,449)
Covered-employee payroll	\$ 430,248
Contributions as a percentage covered-employee payroll	4.00%

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

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN MILAN SPECIAL SCHOOL DISTRICT'S**  
**NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Last Fiscal Year Ending June 30

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 163,039
Interest	331,332
Changes in benefit terms	-
Difference between actual & expected experience	(8,606)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(150,297)
<b>Net change in total pension liability</b>	<b>335,468</b>
<b>Total pension liability - beginning</b>	<b>4,329,871</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 4,665,339</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 66,042
Contributions - employee	96,839
Net investment income	707,921
Benefit payments, including refunds of employee contributions	(150,297)
Administrative expense	(3,475)
<b>Net change in plan fiduciary net position</b>	<b>717,030</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,259,295</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,976,325</b>
 <b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<b>\$ (310,986)</b>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>106.67%</b>
 <b>Covered - employee payroll</b>	<b>\$ 1,936,735</b>
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>16.06%</b>

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.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF MILAN SPECIAL SCHOOL DISTRICT'S CONTRIBUTIONS**  
**BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 66,042	\$ 75,735
Contributions in relation to the actuarially determined contributions	<u>66,042</u>	<u>75,735</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
Covered-employee payroll	\$ 1,936,735	\$ 1,884,479
Contributions as a percentage covered-employee payroll	3.41%	4.02%

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.

**Notes to Schedule:**

*Valuation Date* : Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	14 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE PLAN**  
For The Fiscal Year Then Ended June 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2015	Teacher Group	\$ -	\$ 4,446,000	\$ 4,446,000	0.00%	\$ 10,084,622	44.09%
7/1/2014	Teacher Group	-	4,446,000	4,446,000	0.00%	10,277,867	43.26%
7/1/2013	Teacher Group	-	5,331,000	5,331,000	0.00%	10,061,519	52.98%

The above schedule is designed to show the extent to which a post employment healthcare plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION**

**MILAN SPECIAL SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2015**

	Special Revenue Funds			Total
	Capital Projects Fund	Federal Projects Fund	Centralized Cafeteria Fund	
<b>Assets:</b>				
Cash	\$ 19,080	\$ -	\$ 230,366	\$ 249,446
Accounts receivable	-	-	11,824	11,824
Due from other governments - grants	-	59,370	12,587	71,957
Inventory	-	-	25,569	25,569
<b>Total assets</b>	<b><u>\$ 19,080</u></b>	<b><u>\$ 59,370</u></b>	<b><u>\$ 280,346</u></b>	<b><u>\$ 358,796</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 5,494	\$ 1,461	\$ 6,955
Due to other funds	-	53,876	-	53,876
Total liabilities	<u>-</u>	<u>59,370</u>	<u>1,461</u>	<u>60,831</u>
<b>Fund balances:</b>				
Nonspendable				
Inventory	-	-	25,569	25,569
Restricted				
Operation of non-instructional services	-	-	253,316	253,316
Assigned				
Education	19,080	-	-	19,080
Total fund balances	<u>19,080</u>	<u>-</u>	<u>278,885</u>	<u>297,965</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 19,080</u></b>	<b><u>\$ 59,370</u></b>	<b><u>\$ 280,346</u></b>	<b><u>\$ 358,796</u></b>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
For The Fiscal Year Then Ended June 30, 2015**

	Special Revenue Funds			Total
	Capital Projects Fund	Federal Projects Fund	Centralized Cafeteria Fund	
<b>Revenues:</b>				
Charges for current services	\$ -	\$ -	\$ 217,277	\$ 217,277
Interest earned	15	-	-	15
Other local revenues	-	-	8,004	8,004
State revenue	-	-	10,582	10,582
Federal revenue	-	1,277,102	912,240	2,189,342
<b>Total revenues</b>	<b>15</b>	<b>1,277,102</b>	<b>1,148,103</b>	<b>2,425,220</b>
<b>Expenditures:</b>				
Instruction	-	751,264	-	751,264
Support services	-	525,838	-	525,838
Food service	-	-	997,408	997,408
<b>Total expenditures</b>	<b>-</b>	<b>1,277,102</b>	<b>997,408</b>	<b>2,274,510</b>
<b>Net changes in fund balance</b>	<b>15</b>	<b>-</b>	<b>150,695</b>	<b>150,710</b>
<b>Fund balance - beginning</b>	<b>19,065</b>	<b>-</b>	<b>152,759</b>	<b>171,824</b>
Increase (decrease) in inventory	-	-	(24,569)	(24,569)
<b>Fund balance - ending</b>	<b>\$ 19,080</b>	<b>\$ -</b>	<b>\$ 278,885</b>	<b>\$ 297,965</b>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Revenues:</b>				
<b>Federal through State:</b>				
Vocational education -				
Basic grants to states	\$ 35,549	\$ 35,549	\$ 36,440	\$ 891
Title I	635,191	635,191	563,709	(71,482)
Education of the Handicapped - IDEA	477,893	477,893	442,694	(35,199)
IDEA Preschool	15,210	15,210	17,964	2,754
English language acquisition grants	1,513	1,513	12,534	11,021
Rural Education	38,463	38,463	38,013	(450)
Eisenhower	80,445	80,445	74,969	(5,476)
Race to the Top - ARRA	72,994	72,994	73,398	404
Other federal through state	17,381	17,381	17,381	-
Total federal through state	<u>1,374,639</u>	<u>1,374,639</u>	<u>1,277,102</u>	<u>(97,537)</u>
<b>Total revenues</b>	<b><u>1,374,639</u></b>	<b><u>1,374,639</u></b>	<b><u>1,277,102</u></b>	<b><u>(97,537)</u></b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction program:				
Teachers	84,565	4,399	4,399	-
Aides	97,410	131,235	131,235	-
Bonus Payments	1,800	3,610	2,830	(780)
Other salaries and wages	-	66,860	66,783	(77)
Substitute teachers	1,200	1,200	570	(630)
Non-certified substitute teachers	1,100	6,875	3,108	(3,767)
Social Security	11,254	14,357	10,578	(3,779)
State retirement	11,687	13,492	10,039	(3,453)
Medical insurance	32,297	44,304	23,480	(20,824)
Medicare	2,588	3,331	2,750	(581)
Instructional supplies	84,583	113,061	87,086	(25,975)
Equipment	65,000	64,998	20,865	(44,133)
	<u>393,484</u>	<u>467,722</u>	<u>363,723</u>	<u>(103,999)</u>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Special education program:				
Aides	\$ 279,284	\$ 210,549	\$ 202,905	\$ (7,644)
Bonus Payments	3,500	3,600	-	(3,600)
Other salaries and wages	33,161	33,161	33,034	(127)
Substitute teachers	-	900	900	-
Non-certified substitute teachers	-	4,400	4,400	-
Social Security	19,559	15,604	12,985	(2,619)
State retirement	13,898	11,972	9,271	(2,701)
Medical Insurance	78,371	73,303	49,000	(24,303)
Medicare	1,025	3,652	3,037	(615)
Other Fringe Benefits	168	168	-	(168)
Evaluation and Testing	-	2,764	1,546	(1,218)
Maint & Repair Services- Equip	-	500	-	(500)
Other contracted services	31,000	33,173	33,173	-
Instructional supplies	1,000	16,010	8,100	(7,910)
Other supplies and materials	-	3,288	2,424	(864)
Special education equipment	600	7,137	4,053	(3,084)
	<u>461,566</u>	<u>420,181</u>	<u>364,828</u>	<u>(55,353)</u>
Vocational education program:				
Instructional supplies and materials	2,025	3,721	3,721	-
Other supplies and materials	1,000	1,000	974	(26)
Equipment	13,637	17,993	18,018	25
	<u>16,662</u>	<u>22,714</u>	<u>22,713</u>	<u>(1)</u>
<b>Total instruction</b>	<b><u>871,712</u></b>	<b><u>910,617</u></b>	<b><u>751,264</u></b>	<b><u>(159,353)</u></b>
<b>Support Services:</b>				
Other student support:				
Secretary	4,069	4,069	4,059	(10)
Bonus Payments	360	400	400	-
Other salaries and wages	67,200	37,706	37,514	(192)
Social security	4,441	2,608	1,722	(886)
State retirement	5,510	1,906	1,568	(338)
Medical insurance	2,880	15,048	14,322	(726)

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Other student support (cont.):				
Medicare	\$ 1,144	\$ 715	\$ 406	\$ (309)
Communication	200	200	425	225
Printing, Stationery and Forms	1,500	1,500	974	(526)
Travel	22,959	16,160	13,686	(2,474)
Other contracted services	14,960	14,960	12,213	(2,747)
Other supplies and materials	2,087	4,587	5,165	578
In-service/staff development	-	4,259	3,998	(261)
Other charges	10,820	44,479	31,180	(13,299)
	<u>138,130</u>	<u>148,597</u>	<u>127,632</u>	<u>(20,965)</u>
Regular instruction program:				
Supervisor/director	30,000	32,638	28,907	(3,731)
Secretary(s)	6,850	6,738	2,279	(4,459)
Bonus	1,080	640	400	(240)
Other salaries and wages	205,810	202,912	184,140	(18,772)
Social Security	13,846	14,801	12,626	(2,175)
State retirement	20,275	21,287	18,544	(2,743)
Medical insurance	2,745	10,872	3,796	(7,076)
Medicare	11,294	3,524	2,949	(575)
Travel	800	1,475	949	(526)
Other contracted services	2,100	2,100	1,441	(659)
Other supplies and materials	7,655	14,737	9,955	(4,782)
In-service-staff development	30,072	55,267	41,203	(14,064)
Other charges	-	3,999	3,969	(30)
Equipment	1,600	2,461	609	(1,852)
	<u>334,127</u>	<u>373,451</u>	<u>311,767</u>	<u>(61,684)</u>
Special education program:				
Secretary(s)	21,300	16,737	12,310	(4,427)
Bonus Payments	120	300	-	(300)
Social Security	1,328	1,488	610	(878)
State retirement	920	968	496	(472)
Medical Insurance	2,600	4,400	2,687	(1,713)
Medicare	311	348	143	(205)

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Special education program (cont.):				
Travel	\$ 600	\$ 900	\$ 437	\$ (463)
Other contracted services	1,415	66,762	66,082	(680)
Other supplies and materials	100	100	99	(1)
In-service-staff development	1,200	1,651	1,498	(153)
Other Equipment	400	400	-	(400)
	<u>30,294</u>	<u>94,054</u>	<u>84,362</u>	<u>(9,692)</u>
Vocational education program:				
Travel	1,000	1,542	1,542	-
Bus Drivers	-	362	362	-
Social Security	-	22	21	(1)
State Retirement	-	15	15	-
Employer Medicare	-	6	5	(1)
Diesel Fuel	-	132	132	-
Other charges	200	-	-	-
	<u>1,200</u>	<u>2,079</u>	<u>2,077</u>	<u>(2)</u>
<b>Total support services</b>	<u><b>503,751</b></u>	<u><b>618,181</b></u>	<u><b>525,838</b></u>	<u><b>(92,341)</b></u>
<b>Total expenditures</b>	<u><b>1,375,463</b></u>	<u><b>1,528,798</b></u>	<u><b>1,277,102</b></u>	<u><b>(251,694)</b></u>
<b>Net changes in fund balance</b>	<u><b>\$ (824)</b></u>	<u><b>\$ (154,159)</b></u>	<b>\$ -</b>	<u><b>\$ 154,157</b></u>
<b>Fund balance - beginning</b>			-	
<b>Fund balance - ending</b>			<u><u><b>\$ -</b></u></u>	

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Revenues:</b>				
<b>Charges for current services:</b>				
Lunch payments - children	\$ 145,000	\$ 145,000	\$ 127,909	\$ (17,091)
Lunch payments - adults	24,100	24,100	23,827	(273)
A La Carte sales	52,500	52,500	55,207	2,707
Other charges for services	9,000	9,000	10,334	1,334
	<u>230,600</u>	<u>230,600</u>	<u>217,277</u>	<u>(13,323)</u>
<b>Other revenues:</b>				
Miscellaneous	200	200	121	(79)
Insurance recoveries	-	-	7,807	7,807
Interest earned	65	65	76	11
	<u>265</u>	<u>265</u>	<u>8,004</u>	<u>7,739</u>
<b>State education funds:</b>				
School food service	<u>10,000</u>	<u>10,000</u>	<u>10,582</u>	<u>582</u>
<b>Federal through State:</b>				
USDA - lunch	549,000	549,000	542,252	(6,748)
USDA - commodities (non-cash)	82,700	82,700	55,832	(26,868)
USDA - breakfast	275,000	275,000	286,880	11,880
USDA - other	15,000	15,000	20,157	5,157
Other state grants	-	-	7,119	7,119
	<u>921,700</u>	<u>921,700</u>	<u>912,240</u>	<u>(9,460)</u>
<b>Total revenues</b>	<b><u>1,162,565</u></b>	<b><u>1,162,565</u></b>	<b><u>1,148,103</u></b>	<b><u>(14,462)</u></b>
<b>Expenditures:</b>				
Food service:				
Director	59,248	57,698	42,887	(14,811)
Cafeteria personnel	255,066	255,066	254,241	(825)
Temporary personnel	5,806	5,806	3,380	(2,426)
Bonus payments	-	1,400	1,400	-
Other salaries & wages	8,000	8,000	1,997	(6,003)
Social Security	19,443	19,443	16,975	(2,468)
State retirement	4,547	9,247	9,174	(73)
Medical insurance	40,748	36,048	31,129	(4,919)
Medicare liability	4,747	4,747	3,990	(757)

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Advertising	\$ -	\$ 150	\$ 104	\$ (46)
Dues and memberships	300	300	3,065	2,765
Licenses	8,600	8,600	7,757	(843)
Maintenance & repair	9,000	9,000	9,393	393
Pest control	700	700	720	20
Travel	2,500	2,500	1,705	(795)
Postal charges	200	200	248	48
Permits	250	250	240	(10)
Custodial supplies	10,000	10,000	6,694	(3,306)
Food preparation supplies	45,000	45,000	37,431	(7,569)
Office supplies	500	500	2,270	1,770
Uniforms	1,300	1,300	1,203	(97)
USDA - commodities (non-cash)	82,700	82,700	55,832	(26,868)
Other supplies & materials	200	200	240	40
In service/staff development	3,500	3,500	2,385	(1,115)
Other charges	100	100	-	(100)
Equipment	6,000	14,000	7,262	(6,738)
<b>Total expenditures</b>	<b><u>1,113,525</u></b>	<b><u>1,121,525</u></b>	<b><u>997,408</u></b>	<b><u>(124,117)</u></b>
 <b>Net changes in fund balance</b>	 <b><u>\$ 49,040</u></b>	 <b><u>\$ 41,040</u></b>	 <b>150,695</b>	 <b><u>\$ 109,655</u></b>
 <b>Fund balance - beginning</b>			 <b>152,759</b>	
 Increase (decrease) in inventory			 <u>(24,569)</u>	
 <b>Fund balance - ending</b>			 <b><u>\$ 278,885</u></b>	

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
EDUCATION CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ACTUAL  
For The Fiscal Year Then Ended June 30, 2015**

**Revenues:**

Other local revenues:

Interest earned

\$ 15

**Excess (deficiency) of revenues over (under) expenditures**

**15**

**Fund balance - beginning**

19,065

**Fund balance - ending**

\$ 19,080

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - PAST TEN YEARS**  
 June 30, 2015

<u>Year Ended</u> <u>June, 30</u>	<u>Tax Rates</u>	<u>Assessments</u>	<u>Tax Levy</u>
2015	\$ 1.8774	\$ 176,271,861	\$ 3,309,328
2014	1.84	175,188,027	3,223,460
2013	1.84	175,860,018	3,235,824
2012	1.84	175,774,003	3,234,242
2011	1.84	175,267,174	3,224,916
2010	1.84	155,854,061	2,867,715
2009	2.00	159,464,081	3,189,282
2008	2.01	152,075,084	3,056,709
2007	2.01	158,879,223	3,193,472
2006	2.01	152,057,840	3,056,363

The following is the tax levied January 1, 2015:

2016	\$ 1.8774	\$ 175,396,373	\$ 3,292,892
------	-----------	----------------	--------------

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
SCHEDULE OF LONG-TERM DEBT**  
June 30, 2015

Bonds							
Year Ended June 30,	Series 2015		Series 2008		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 700,000	\$ 147,300	\$ 100,000	\$ 36,900	\$ 800,000	\$ 184,200	\$ 984,200
2017	735,000	133,300	100,000	33,250	835,000	166,550	1,001,550
2018	765,000	118,600	100,000	29,250	865,000	147,850	1,012,850
2019	795,000	103,300	100,000	25,250	895,000	128,550	1,023,550
2020	825,000	53,900	100,000	21,250	925,000	75,150	1,000,150
2021	850,000	53,900	100,000	17,250	950,000	71,150	1,021,150
2022	875,000	53,900	100,000	13,000	975,000	66,900	1,041,900
2023	900,000	36,400	100,000	8,750	1,000,000	45,150	1,045,150
2024	920,000	18,400	100,000	4,375	1,020,000	22,775	1,042,775
	\$ 7,365,000	\$ 719,000	\$ 900,000	\$ 189,275	\$ 8,265,000	\$ 908,275	\$ 9,173,275

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
SCHEDULE OF BONDS  
June 30, 2015**

	<u>Bond</u>
Director of Schools	<u>\$ 431,213</u> *

\*All other employees of the school district are covered by a fidelity bond of \$150,000 for each occurrence.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Then Ended June 30, 2015

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Agency or Pass-through Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Pass-through the Tennessee Department of Education			
School Breakfast Program	10.553	N/A	\$ <u>286,880</u>
National School Lunch Program - Snack	10.555	N/A	17,795
National School Lunch Program	10.555	N/A	542,252
Commodity Rebate	10.555	N/A	2,362
Food-Distribution - Commodities	10.555	N/A	<u>55,832</u>
			<u>618,241</u>
NSLP Equipment Assistance Grant	10.579	N/A	<u>7,119</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>912,240</u></b>
<b>U.S. Department of Labor</b>			
Pass-through Tennessee Employment Training Administration			
WIA Youth Activities	17.259	14-12-300-086-YTHPT	<u>7,536</u>
<b>U.S. Department of Education</b>			
Pass-through the Tennessee Department of Education			
Special Education - Grants to States			
IDEA, Part B	84.027	H027A140052	397,812
IDEA, discretionary - graduation rate	84.027	ED# 3067	<u>44,882</u>
			<u>442,694</u>
Special Education - Preschool Grants:			
IDEA Preschool	84.173	H173A140095	<u>17,964</u>
Total special education grants			<u>460,658</u>
State Fiscal Stabilization Fund			
ARRA - SFSF Race to the Top	84.395	S395A100032	17,381
ARRA - SFSF Race to the Top	84.395	S395A100032	<u>73,398</u>
			<u>90,779</u>
Title I, Grants to Local Education Agencies			
Part A	84.010*	S010A140042	506,789
Focus	84.010*	S010A120042	<u>56,920</u>
			<u>563,709</u>
Office of Vocational and Adult Education			
Career and Technical Education -			
Basic Grants to States	84.048	V048A140042	<u>36,440</u>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)**  
For The Fiscal Year Then Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education (Cont.)</b>			
Pass-through the Tennessee Department of Education (Cont.)			
English Language Acquisition Grants			
Title III, Part A	84.365A	S365A140042	\$ <u>12,534</u>
Office of Elementary and Secondary Education			
Improving Teacher Quality State Grants	84.367A	S367A140040	<u>74,969</u>
Rural Education	84.358	S358B140042	<u>38,013</u>
<b>Total US Department of Education</b>			<b><u>1,277,102</u></b>
<b>Total federal awards</b>			<b><u>\$ 2,196,878</u></b>

\*Major federal financial assistance program.

Basis of Presentation:

The accompanying Schedule of Federal Awards summarizes the expenditures of the District under programs of the federal and state government for the year ended June 30, 2015.

The schedule is presented using the modified accrual basis of accounting.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For The Fiscal Year Then Ended June 30, 2015

State Grantor	Expenditures
<b>Tennessee Department of Education</b>	
Special Programs - Early Childhood	\$ 509,546
Energy Efficient Grant	<u>2,475</u>
Safe Schools	<u>12,180</u>
ACT/Explore Testing	<u>3,339</u>
Coordinated School Health	<u>75,059</u>
Internet ConnectTN	<u>5,814</u>
<b>Total State Awards</b>	<b><u>\$ 608,413</u></b>

Basis of Presentation:

The accompanying Schedule State Financial Assistance summarizes the expenditures of the District under programs of the state government for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

*See independent auditor's report.*

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

American Society of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board of Education  
Milan Special School District  
Milan, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Special School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Milan Special School District's basic financial statements and have issued our report thereon dated December 20, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Milan Special School District'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 Milan Special School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Milan Special School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiency described in the schedule of findings and questioned costs as item 2015-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Milan Special School District's financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned cost as item 2015-001.

## **Milan Special School District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 20, 2015

**Members of:**

American Society of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
*Offices in Tennessee & Kentucky*

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

**Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133**

Members of the Board of Education  
Milan Special School District  
Milan, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Milan Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Milan Special School District's major federal programs for the year ended June 30, 2015. Milan Special School District's major federal programs are identified in the summary of auditor's 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.

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

Management of Milan Special School District 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 Milan Special School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Milan Special School District'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 any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 20, 2015

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<u>    X    </u> yes	<u>          </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>    X    </u> none reported
Noncompliance material to financial statements noted?	<u>    X    </u> yes	<u>    X    </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>          </u> yes	<u>    X    </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>    X    </u> none reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>          </u> yes	<u>    X    </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
	Title I, Grants to Local Education Agencies Cluster
84.010	Part A
84.010	Focus

Dollar threshold used to distinguish between type A and type B programs:		<u>    \$ 300,000    </u>
Auditee qualified as low-risk auditee?	<u>    X    </u> yes	<u>          </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2015-001 – Exceeding Budgeted Expenditures and Recording of Bond Refunding (Material Weakness and Noncompliance)**

Condition: The District exceeded the budget for General Purpose School Fund debt service expenditures by \$7,437,593. This was caused by the District failing to properly record the activity of the 2015 refunding bond. The principal payoff on the 2005 bond was \$7,350,000 with \$88,293 of issuance cost that was not recorded. There was also proceeds from the issuance of \$7,438,293 that was also not recorded as a revenue.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “notwithstanding any other provision of law, no municipality may expend any monies regardless of their source except in accordance with a budget ordinance adopted under this section.”

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

Effect: The District failed to comply with the TCA 6-56-203 by expending monies that were not budgeted and the failure to properly record the bond refunding resulted in interim financial statements with a material error.

Recommendation: We recommend that all expenditures be authorized by the District's budget in the future. We also recommend for the District to properly record all transactions to ensure that the District's financials are properly stated at all times.

Response: Milan Special School District will ensure all appropriate entries related to the sale/issuance of bonds are properly recorded in the future.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**MILAN SPECIAL SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
June 30, 2015**

The Milan Special School District respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Alexander Thompson Arnold  
227 Oil Well Road  
Jackson, TN 38305

June 30, 2015

The finding from June 30, 2015, schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding required to be reported in accordance with governmental auditing standards.

2015-001 – Exceeding Budgeted Expenditures and Recording of Bond Refunding (Material Weakness and Noncompliance)

Condition: The District exceeded the budget for General Purpose School Fund debt service expenditures by \$7,437,593. This was caused by the District failing to properly record the activity of the 2015 refunding bond. The principal payoff on the 2005 bond was \$7,350,000 with \$88,293 of issuance cost that was not recorded. There was also proceeds from the issuance of \$7,438,293 that was also not recorded as a revenue.

Response: Milan Special School District will ensure all appropriate entries related to the sale/issuance of bonds are properly recorded in the future.