

# OFFICIAL STATEMENT

NEW ISSUE  
BOOK-ENTRY-ONLY

Ratings: S&P – “AA” BAM Insured  
“A” Underlying  
(See “MISCELLANEOUS-Rating” herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee excise and franchise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)*

## **\$9,590,000** **MILAN SPECIAL SCHOOL DISTRICT** **(GIBSON COUNTY, TENNESSEE)** **Limited Tax School Bonds, Series 2021**

Dated: February 12, 2021

Due: March 1, as shown herein

The \$9,590,000 Limited Tax School Bonds, Series 2021 (the “Bonds”) of Milan Special School District (Gibson County, Tennessee) (the “District”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on September 1, 2021 and thereafter on each March 1 and September 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

PRINCIPAL OF AND INTEREST ON THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PROCEEDS OF A CONTINUING ANNUAL PROPERTY TAX LEVIED BY THE TENNESSEE GENERAL ASSEMBLY ON ALL TAXABLE PROPERTY WITHIN THE DISTRICT SUBJECT TO THE PRIOR PLEDGE OF SUCH FUNDS IN FAVOR OF THE DISTRICT’S PRIOR LIEN BONDS (AS SUCH TERM IS DEFINED HEREIN). THE BONDS ARE ADDITIONALLY PAYABLE FROM CERTAIN OTHER FUNDS OF THE DISTRICT, INCLUDING THE DISTRICT’S SHARE OF LOCAL OPTION SALES AND USE TAX REVENUES AND TENNESSEE BASIC EDUCATION PROGRAM CAPITAL OUTLAY FUNDS. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF TENNESSEE, GIBSON COUNTY, TENNESSEE, THE CITY OF MILAN, TENNESSEE OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. THE DISTRICT HAS NO POWER OF TAXATION. IN THE EVENT OF A DEFICIENCY OR DEFAULT IN THE PAYMENT FOR THE BONDS, THE STATE GENERAL ASSEMBLY HAS THE AUTHORITY AND POWER TO INCREASE THE TAX RATE AND PROVIDE OTHER SOURCES OF PAYMENT OF PRINCIPAL AND INTEREST BUT HAS NOT UNDERTAKEN ANY OBLIGATION TO DO SO. See section entitled “SECURITIES OFFERED – Security”.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds maturing March 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2028.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the District by W. Collins Bonds, counsel to the District. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about February 12, 2021.

**Cumberland Securities Company, Inc.**  
Municipal Advisor

January 14, 2021



**\$9,590,000**  
**MILAN SPECIAL SCHOOL DISTRICT**  
**(GIBSON COUNTY, TENNESSEE)**

**Limited Tax School Bonds, Series 2021**

<u>Due (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due (March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2025	\$370,000	5.00 %	0.40 %	599067EV3	2034	\$370,000	1.30 %	1.30 %	599067FE0
2026	370,000	5.00	0.50	599067EW1	2035	370,000	1.40	1.40	599067FF7
2027	370,000	5.00	0.60	599067EX9	2036	370,000	1.45	1.45	599067FG5
2028	370,000	5.00	0.70	599067EY7	2037	370,000	1.50	1.50	599067FH3
2029	370,000	2.00	0.75 c	599067EZ4	2038	370,000	1.55	1.55	599067FJ9
2030	370,000	1.00	0.90 c	599067FA8	2039	370,000	1.60	1.60	599067FK6
2031	370,000	1.00	1.00	599067FB6	2040	370,000	1.65	1.65	599067FL4
2032	370,000	1.10	1.10	599067FC4	2041	370,000	1.70	1.70	599067FM2
2033	370,000	1.20	1.20	599067FD2					
	\$1,475,000	2.00 %		Term Bond Due March 1, 2045		@ 1.85 % c		599067FR1	
	\$1,825,000	2.00		Term Bond Due March 1, 2050		@ 2.00		599067FW0	

c = Yield to call on March 1, 2028

\*\* Copyright, American Bankers Association (the “ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This *Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Official Statement*. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Continuing Disclosure Certificate (as such capitalized terms are defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter (as such capitalized terms are defined herein) to give any information or to make any representations other than those contained in this *Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this *Official Statement* or any information or disclosure contained herein, or omitted here from, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D-Specimen Municipal Bond Insurance Policy".

MILAN SPECIAL SCHOOL DISTRICT  
(GIBSON COUNTY, TENNESSEE)

**BOARD OF TRUSTEES**

Will Ownby	<i>Chairman</i>
Stacy Hensley	<i>Vice Chairperson</i>
Sid Crocker	<i>Pro Tempore Chair</i>
Becky Fisher	<i>Member</i>
Greg Horton	<i>Member</i>
Melissa Ross	<i>Member</i>
Yolanda Lett	<i>Member</i>

**DIRECTOR OF SCHOOLS**

Jonathan Criswell

**UNDERWRITER**

Robert W. Baird & Company, Inc.  
Milwaukee, Wisconsin

**BOND REGISTRAR AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

**BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

**MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.



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## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed, or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer .....Milan Special School District (Gibson County, Tennessee) (the “District” or “Issuer”). See APPENDIX B contained herein.

Securities Offered.....\$9,590,000 Limited Tax School Bonds, Series 2021 (the “Bonds”) of the District, dated February 12, 2021. The Bonds mature each March 1 beginning March 1, 2025 through March 1, 2041, inclusive, March 1, 2045 and March 1, 2050. See section entitled “SECURITIES OFFERED” herein for additional information.

Security.....The Bonds are payable primarily from and secured by a pledge of a continuing annual tax, the rate of which is established by the Act (as hereinafter defined), as such rate may be adjusted from time to time by the General Assembly, levied on all taxable property within the boundaries of the District, and on parity with the District’s Limited Tax School Bonds, Series 2019, dated December 18, 2019, subject to the prior pledge of such funds in favor of the District’s Limited Tax School Refunding Bonds, Series 2015, dated April 1, 2015 (the “Prior Lien Bonds”). The Bonds are additionally payable from the District’s share of the Local Option Sales and Use Tax revenues now or hereafter levied and collected in Gibson County, Tennessee, pursuant to Section 67-6-712, Tennessee Code Annotated, as amended, and funds received by the District under the Tennessee Basic Education Program which are available to be used for capital outlay expenditures, as set forth in Section 49-3-351 et seq., Tennessee Code Annotated, as amended, and related sections, subject to prior pledges in favor of the Prior Lien Bonds. In the event the above-described funds are insufficient to pay principal and interest on the Bonds when due, the District will apply funds from operations or other available funds of the District for the payment thereof when due.

In the event of any deficiency or default in payment of principal of or interest on the Bonds, the General Assembly of the State of Tennessee has the authority and power to increase the tax rate and provide other sources for the payment of said principal and interest but has not undertaken any obligation to do so.

The Bonds are not obligations of the State of Tennessee, Gibson County, the City of Milan or any of their political subdivisions, and the purchasers shall have no recourse to the taxing power of any of the foregoing. The power of the District to levy and/or collect any taxes is authorized only by special legislation of the General Assembly of the State of Tennessee.

Purpose.....The Bonds are being issued for the purposes of providing funds for the (A) (i) the construction, improvement and renovation costs of school buildings and facilities located in the District, including all related improvements, furnishings, fixtures and equipment and including the purchase of all property, real and personal or interests therein, necessary in connection with said work and additions thereto; (ii) the costs of other capital improvements throughout the District (collectively, the “Projects”); (B) payment of all legal, fiscal, administrative, architectural, engineering accounting and similar professional and other costs related to the Projects; (C) reimbursement to the District for the prior payment of costs of the Projects; and (D) the payment of costs of issuance of the bonds.

Optional Redemption .....	The Bonds maturing March 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2028. See Section entitled “SECURITIES OFFERED – Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Municipal Bond Insurance.....	The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. ("BAM"). See “APPENDIX D - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”
Ratings .....	S&P’s BAM Insured: “AA”. S&P’s underlying rating “A”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc. See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	Robert W. Baird & Company, Inc., Milwaukee, Wisconsin.
Bond Counsel .....	Bass, Berry & Sims PLC, Nashville, Tennessee.
Book-Entry-Only.....	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System.”
Registration Agent.....	Regions Bank, Nashville, Tennessee.
General.....	The Bonds are issued pursuant to the provisions of Chapter 504 of the 1945 Private Acts of the State of Tennessee, as amended and supplemented (the "Act"). See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure .....	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the District will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”
Other Information.....	The information in this <i>Official Statement</i> is deemed “final” within the meaning of

Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the District or this *Official Statement*, contact Jonathan Criswell, Director of Schools, Milan Special School District, 1165 South Main Street, Milan, Tennessee 38358, (731) 686-0844; or the District's Municipal Advisor, Cumberland Securities Company, Inc., P.O. Box 22715, Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

**GENERAL PURPOSE SCHOOL FUND BALANCES**  
For the Fiscal Year Ended June 30

	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>
Beginning Fund Balance	\$ 2,467,413	\$ 3,035,027	\$ 3,084,284	\$ 3,410,885	\$ 3,403,134
Revenues	16,289,236	16,742,807	17,319,861	17,904,137	19,324,046
Expenditures	15,721,622	16,693,550	16,993,260	17,911,888	19,028,884
Other Financing Sources:					
Transfers In	-	-	-	-	
Transfers Out	-	-	-	-	
Bond Proceeds	-	-	-	-	1,280,712
<u><b>Ending Fund Balance</b></u>	<u><b>\$ 3,035,027</b></u>	<u><b>\$ 3,084,284</b></u>	<u><b>\$ 3,410,885</b></u>	<u><b>\$ 3,403,134</b></u>	<u><b>\$ 4,979,008</b></u>

*Source:* Comprehensive Annual Financial Reports of Milan Special School District (Gibson County, Tennessee).



**\$9,590,000**

**MILAN SPECIAL SCHOOL DISTRICT**  
**(GIBSON COUNTY, TENNESSEE)**

**Limited Tax School Bonds, Series 2021**

**SECURITIES OFFERED**

**AUTHORITY**

This *Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Milan Special School District (Gibson County, Tennessee) (the “District”) of \$9,590,000 Limited Tax School Bonds, Series 2021 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Chapter 504 of the 1945 Private Acts of the State of Tennessee (the “Private Act of 1945”), as supplemented and amended from time to time (the “Act”); and in particular as supplemented by Chapter 10 of the 2017 Private Acts of the Tennessee General Assembly (the “2017 Private Act”) and other applicable provisions of law and pursuant to resolutions duly adopted by the Milan Special School District Board of Trustees on October 28, 2019 (the “Resolution”).

The Bonds are being issued for the purposes of providing funds for the (A) (i) the construction, improvement and renovation costs of school buildings and facilities located in the District, including all related improvements, furnishings, fixtures and equipment and including the purchase of all property, real and personal or interests therein, necessary in connection with said work and additions thereto; (ii) the costs of other capital improvements throughout the District (collectively, the “Projects”); (B) payment of all legal, fiscal, administrative, architectural, engineering accounting and similar professional and other costs related to the Projects; (C) reimbursement to the District for the prior payment of costs of the Projects; and (D) the payment of costs of issuance of the bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from February 12, 2021. Interest on the Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2021. The Bonds are issuable in Book-Entry-Only Form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Chairman and shall be attested by the Secretary. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

## **SECURITY**

The Bonds are payable primarily from and secured by a pledge of a continuing annual tax, the rate of which is established by the Act, as such rate may be adjusted from time to time by the General Assembly, levied on all taxable property within the boundaries of the District, on parity with the District's Limited Tax School Bonds, Series 2019, dated December 18, 2019, and subject to the prior pledge of such funds in favor of the District's Limited Tax School Refunding Bonds, Series 2015, dated April 1, 2015 (the "Prior Lien Bonds"). The District has covenanted to take no action to rescind or reduce the aforesaid tax or seek to have it rescinded or reduced or the legislation authorizing such tax repealed or amended in such a way as to abolish the tax or reduce the annual tax to an amount less than that necessary to maintain funds sufficient to pay any deficiency in annual principal and interest requirements on the Bonds.

The Bonds are additionally payable from the District's share of the Local Option Sales and Use Tax revenues now or hereafter levied and collected in Gibson County, Tennessee, pursuant to Section 67-6-712, Tennessee Code Annotated, as amended, and funds received by the District under the Tennessee Basic Education Program which are available to be used for capital outlay expenditures, as set forth in Section 49-3-351 et seq., Tennessee Code Annotated, as amended, and related sections, subject to prior pledges in favor of the Prior Lien Bonds. In the event the above-described funds are insufficient to pay principal and interest on the Bonds when due, the District will apply funds from operations or other available funds of the District for the payment thereof when due.

In the event of any deficiency or default in payment of principal of or interest on the Bonds, the General Assembly of the State of Tennessee has the authority and power to increase the tax rate and provide other sources for the payment of said principal and interest but has not undertaken any obligation to do so.

The Bonds are not obligations of the State of Tennessee, Gibson County, the City of Milan or any of their political subdivisions, and the purchasers shall have no recourse to the taxing power of any of the foregoing. The power of the District to levy and/or collect any taxes is authorized only by special legislation of the General Assembly of the State of Tennessee.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the District as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

## MUNICIPAL BOND INSURANCE

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. ("BAM"). See "APPENDIX D - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

## OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing March 1, 2029 and thereafter are subject to optional redemption prior to maturity on or after March 1, 2028 in whole or in part at any time at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Trustee of the District, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

## MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the District shall redeem Bonds maturing March 1, 2045, and March 1, 2050 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
March 1, 2045	March 1, 2042	\$370,000
	March 1, 2043	\$370,000
	March 1, 2044	\$370,000
	March 1, 2045*	\$365,000

March 1, 2050	March 1, 2046	\$365,000
	March 1, 2047	\$365,000
	March 1, 2048	\$365,000
	March 1, 2049	\$365,000
	March 1, 2050*	\$365,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the District may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the District on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The District shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the District not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the District nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the District pursuant to written instructions from an authorized representative of the District (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are



available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor, or the District will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income

Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct

Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the District determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the District will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. None of the District, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be applied by the District as follows:

- (a) all accrued interest, if any, shall be deposited to the appropriate fund of the District to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be held and maintained in a separate and special fund of the District to be known as the "School Construction Fund" (the "Construction Fund"). The funds deposited in the Construction Fund shall be disbursed solely to pay the costs of the Projects, to reimburse the District for any funds previously expended for costs of the Projects, and to pay the costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, Registration Agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

## **DISCHARGE AND SATISFACTION OF BONDS**

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or
3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent. For the purposes of this Section, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the District, including, but not limited to, the right to require the District to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the District to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the District to sell or issue the Bonds.

### TAX MATTERS

#### Federal

*General.* Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Bonds that the District must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the District does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" in the Section.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

*Bond Premium.* If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

*Qualified Tax-Exempt Obligations.* Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the District as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

*Information Reporting and Backup Withholding.* Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.



## **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the District will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Chairman of the Board of the District acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the District since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation

of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Chairman of the Board of the District acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Chairman of the Board of the District and Secretary of the Board acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the District concerning the preparation and distribution of certain annual financial information and notification of certain enumerated events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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## MISCELLANEOUS

### RATINGS

S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “AA” (Stable Outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Build America Mutual. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from such agency. Additionally, S&P Global Ratings (“S&P”) has given the Bonds and underlying rating of “A”.

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of outstanding bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The ratings reflect only the views of S&P and any explanation of the significance of such ratings should be obtained from S&P.

### COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on January 14, 2021. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated January 7, 2021.

The successful bidder for the Bonds was an account led by Robert W. Baird & Company, Inc., Milwaukee, Wisconsin (the “Underwriters”) who contracted with the District, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$9,914,265.84 (consisting of the par amount of the Bonds, plus an original issue premium of \$406,029.35 and less an underwriter’s discount of \$81,763.51) or 103.381% of par.

### MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

*Municipal Advisor.* Cumberland Securities Company, Inc., has served as Municipal Advisor (the “Municipal Advisor”) to the District for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the District to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the District, including without limitation any of the District’s financial and operating data, whether historical

or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the District, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the District in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statement.* Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the District and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the District and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the District’s Dissemination Agent. If the District chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **ADDITIONAL DEBT**

The District has authorized a total of \$20,00,000 of debt to fund various improvements, which this issue is the second tranche. The District issued it’s \$9,890,000 Limited Tax School

Bonds, Series 2019, dated December 18, 2019. Additionally, the District has ongoing needs that may or may not require the issuance of additional debt.

## **DEBT RECORD**

There is no record of a default on principal and interest payments by the District from information available. Additionally, no agreements or legal proceedings of the District relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

The District will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2021 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the District. The Issuer will provide notice in a timely manner to the MSRB of a failure by the District to provide the annual financial information on or before the date specified in the Continuing Disclosure. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year Filing History.* While it is believed that all appropriate filings were made with respect to the ratings of the District's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of such bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. The District does not deem any of the forgoing omissions to be material, if any, and therefore, in the judgment of the District, for the past five years, the District has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

*Content of Annual Report.* The District's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the District for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the District's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of Bond Indebtedness as of the end of such fiscal year;
2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information about the Bonded Debt Service Requirements as of the end of such fiscal year; and
4. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds for the fiscal year.

The Annual Report may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of the District or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final *Official Statement*, in final form, it will be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The District will file notice regarding significant events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the District shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the District shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to

the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the District, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the District, any of which reflect financial difficulties.

*Termination of Reporting Obligation.* The District's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the District may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the District to comply with any provision of the Continuing Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the District to comply with the Continuing Disclosure Certificate shall be an action to compel performance.

## **BONDHOLDER RISK COVID-19**

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to several counties and cities in the State of Tennessee, including the Issuer and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 has led to quarantine and other “social distancing” measures in affected regions. While effects of COVID-19 on the Issuer may be temporary, the virus has affected travel, commerce and financial markets across the world. Additionally, U.S. and global stock markets have recently experienced significant volatility and overall declines that have attributed to COVID-19 concerns.



The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer's finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer's finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year.

For the current fiscal year, the Issuer's largest source of local revenues is property tax revenues. Property tax revenues are due each year on October 1<sup>st</sup> and are delinquent after the last day of February of the following year, so all tax year 2020 taxes were required to be paid without any penalty by February 29, 2021. The Issuer has already collected in excess of 94% of its billed property taxes for tax year 2019, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in delays in collecting the remaining amount of tax year 2019 property taxes outstanding, which is a relatively small portion of the Issuer's revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

State shared sales tax increased 22% in March 2020 from the prior March and increased 47% in April 2020 from the prior April and increased 154% in May 2020 from the prior May and increased 14% in June 2020 from the prior June and increased 26% in July 2020 from the prior July and increased 18% in August 2020 from the prior August and increased 24% in September 2020 from the prior September and increased 20% in October 2020 from the prior October and increased 8% in November 2020 from the prior November.

The Issuer has received some federal and/or State assistance to offset costs to the Issuer of addressing the COVID-19 outbreak. The Issuer's proposed budget for the 2021 fiscal year does not include any such assistance as a source of revenue to provide for a balanced budget.

The Issuer's liquidity position remains strong. As of June 30, 2020, the Issuer had in excess of \$1,523,306 in reserves, which is approximately 8.16% of the Issuer's general fund budget. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the Issuer and Gibson County are detailed in APPENDIX B. This information was assembled prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, including the City and the County, have increased significantly since the COVID-19 outbreak. Furthermore, APPENDIX B lists the largest

employers in the County. The COVID-19 outbreak has affected businesses throughout the United States, including businesses in the County, and many of the employers listed in APPENDIX B have been forced to reduce their employment levels from the levels described in APPENDIX B. Given the fluidity of the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this *Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur, or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this *Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the District and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or this *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The District has deemed this *Official Statement* as “final” as of its date within the meaning of Rule 15c2-12.

*(The remainder of this page left blank intentionally.)*

## **CERTIFICATION OF THE DISTRICT**

On behalf of the District, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Will Ownby  
Chairman of the Board of Trustees

ATTEST:

/s/ Johnathan Criswell  
Director of Schools



## **APPENDIX A**

### **LEGAL OPINION**



February 12, 2021

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

Robert W. Baird & Company, Inc.  
777 East Wisconsin Ave., 25<sup>th</sup> Floor  
Milwaukee, Wisconsin 53202

Ladies and Gentlemen:

We have acted as bond counsel to Milan Special School District (the "Issuer") in connection with the issuance of \$9,590,000 Limited Tax School Bonds, Series 2021, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Education of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of and interest on the Bonds are payable primarily from and secured by a pledge of the continuing annual tax levied on all taxable property within the corporate boundaries of the Issuer, the rate of which has been set by the General Assembly of the State of Tennessee pursuant to Chapter 504 of the 1945 Private Acts of the State of Tennessee, as amended, as such rate may be adjusted from time to time in accordance with the laws of the State of Tennessee, on parity of pledge with the Issuer's Limited School Tax Bonds, Series 2019, dated December 18, 2019, and subject to the prior pledge of such revenues in favor of the Issuer's Limited Tax School Refunding Bonds, Series 2015, dated April 1, 2015 (the "Prior Lien Bonds"). In the event the revenues derived from said tax are insufficient to pay principal of and interest on the Bonds when due, any such deficiency is payable from funds received by the Issuer under the Tennessee Basic Education Program available to be used for capital outlay expenditures, as set forth in Section 49-3-351, et seq., Tennessee Code Annotated, and related sections, and the Issuer's share of the Local Option Sales and Use Tax now or hereafter levied and collected in Gibson County, Tennessee, pursuant to Section 67-6-712, Tennessee Code Annotated, subject to prior pledges in favor of the Prior Lien Bonds. In the event said property taxes and other funds hereinabove described shall not be sufficient to pay principal of and interest on the Bonds when due, the Issuer has covenanted to apply funds from operations or other available funds of the Issuer to the payment thereof when due.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on

the Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC



**APPENDIX B**

**MILAN SPECIAL SCHOOL DISTRICT  
(GIBSON COUNTY, TENNESSEE)**

**SUPPLEMENTAL INFORMATION STATEMENT**



## **THE DISTRICT**

### **GENERAL**

The Milan Special School District (the “District”) of Gibson County (the “County”) was created by Chapter 504 of the 1945 Private Acts of the State of Tennessee, as amended. The District is a local education agency established by the Tennessee General Assembly to provide public education. The District is located in the western division of the state approximately 20 miles north of Jackson, Tennessee. The boundaries of the District are generally the same as the corporate limits of the City of Milan, Tennessee (the “City”), although some parts of the District lie outside the City. The District, as created, is a body politic and corporate with full power of perpetual succession, as specifically authorized by legislation of the General Assembly of the State of Tennessee. The General Assembly as authorized by the Tennessee Constitution has an unlimited taxing authority to set the property tax rate and amount for the District.

The District provides Pre-K through twelfth grade education to children within its boundaries. The District offers a program of public education for approximately 1,935 students in K-12 as a local educational agency under the general education laws of the State codified in Title 49, Tennessee Code Annotated and the regulations of the State Board of Education.

### **POWERS OF THE DISTRICT**

Pursuant to the Act, the District is empowered, among other things, to control and operate schools within the boundaries of the District. To carry out such purposes, the District has the power and authority to sue and be sued, contract and be contracted with, to plead and be impleaded in all of the courts of the State, purchase, receive and hold real, personal and mixed property, and to release, grant and any way dispose of the same for public school purposes. Pursuant to such powers, the District administers and operates a public school system for student in kindergarten through twelfth grade as prescribed by state law and regulations promulgated by the State Board of Education. The General Assembly has the power under the State Constitution to authorize the levy of property taxes and instruct the county trustee to collect the property taxes for the District all specifically authorized by legislation of the General Assembly. The Bonds are authorized by Chapter 504 of the 1945 Private Acts of the State of Tennessee, as amended. The taxes pledged to payment of the Bonds are levied pursuant to Chapter 17 of the 1997 Private Acts of the State of Tennessee and Chapter 62 of the 2001 Private Acts of the State of Tennessee.

### **DISTRICT BOARD OF EDUCATION**

All corporate powers of the District are vested in and exercised by its District Board of Education (the “Board”). The Board consists of seven members, serving staggered four-year terms or until their successors are elected and qualified. The members are elected at general elections of all qualified voters residing in the District pursuant to the general election of the State. Each member shall be a resident of the District and at least four of whom shall reside within the corporate limits of the City of Milan. In the event of a vacancy on the Board, the Board shall elect a successor to serve the remainder of the officer’s term.

Pursuant to the Act, the Board acts by a majority of its members. The Board has all the powers and authority given it both by the Act and under the general laws of the State of Tennessee. The Board has the power and authority to establish schools; employ teachers; fix their salaries; discharge them; open and close schools; build and repair school buildings; suspend and dismiss pupils; use school funds; take census of the children; hold regular meetings of the Board; hold and dispose of school property; prepare and approve the annual budget of revenues and expenditures; and other powers as prescribed by the Act to operate the school system. The Board's powers are subject to the laws and regulations generally applicable to public school systems in Tennessee including filing its budget with the State Commissioner of Education, maintaining accounting records, contracting for an annual audit in accordance with standards prescribed by the State Comptroller of the Treasury and filing annual reports with various state departments.

#### **Current Members of the Board**

#### **End of Term**

Will Ownby, Chairman	December 2023
Stacy Hensley, Vice Chairperson	December 2023
Sid Crocker	December 2022
Becky Fisher	December 2022
Don Farmer	December 2023
Greg Horton	December 2023
Melissa Ross	December 2022

### **EMPLOYEES**

The chief operating and administrative officer of the District is the Director of Schools. The current Director is Jonathan Criswell. Mr. Criswell received his Master's Degree in Educational Leadership from Murray State University in 2001. Mr. Criswell has served as the Director of Schools for Milan Special School District from August 2016 to present. He has also worked as a public school teacher and a school principal.

The District employs a total of 311 full and part-time employees.

### **SCHOOL SYSTEM**

*General.* The District operates a school system of Pre-kindergarten through twelfth grades for children residing within the boundaries of the District. The District owns and operates three schools --- one elementary school for grades Pre-K - 4, one middle school for grades 5 – 8, and one high school for grades 9 - 12. Each of the schools provides general education as well as special education through the Comprehensive Development Classroom Program (“CDC”) for children with special education needs.

For the last five fiscal years, the District's full time equivalent average daily membership ("FTE") and percentage of total Weighted Full-Time Average Daily Attendance (“ADA”) for all students in the District is shown in the following table:

<b>Fiscal Years</b>		
<b><u>(Ending June 30<sup>th</sup>)</u></b>	<b><u>Enrollment</u></b>	<b><u>ADA</u></b>
2016	1,940	1,872
2017	1,924	1,851
2018	1,880	1,816
2019	1,880	1,817
2020	1,893	1,871

*Source:* EIS Directors Membership Data Report

Based upon existing service levels provided by the System (K–12), projected enrollment and estimated Average Daily Attendance for the next five fiscal years (assuming a continuation of K-12 only) is as follows:

<b>Fiscal Years</b>	<b>Projected</b>	<b>Projected</b>
<b><u>(Ending June 30<sup>th</sup>)</u></b>	<b><u>Enrollment</u></b>	<b><u>ADA</u></b>
2021	1,910	1,850
2022	1,920	1,860
2023	1,930	1,870
2024	1,940	1,880
2025	1,950	1,890

*Source:* Milan Special School District of Gibson County, Tennessee.

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## FINANCIAL INFORMATION

### INTRODUCTION

As required by law and generally accepted accounting principles (GAAP), all funds and account groups of the District are organized according to standards established by the Government Accounting Standards Board (GASB). The District's financial reporting system is designed to provide timely, accurate feedback on its overall financial position and includes, at a minimum, periodic reports to the Board. All financial statements are audited annually by independent certified public accountants.

### FUND BALANCES

The District maintains fund balances or net assets in most major operating funds. Additionally, several reserves have been established to address specific needs of the District.

The following table depicts fund balances for the five fiscal years beginning in 2016 and ending June 30, 2020.

<b><u>For the Fiscal Year Ended June 30<sup>th</sup></u></b>					
<b><u>Fund Type</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY2020</u></b>
<i>Governmental Funds:</i>					
General	\$3,035,027	\$3,084,284	\$3,410,885	\$3,403,134	\$4,979,008
Other Governmental	<u>424,404</u>	<u>577,950</u>	<u>679,376</u>	<u>739,231</u>	<u>999,130</u>
<b><u>Total</u></b>	<b><u>\$3,459,431</u></b>	<b><u>\$3,662,234</u></b>	<b><u>\$4,090,261</u></b>	<b><u>\$4,142,365</u></b>	<b><u>\$5,978,138</u></b>

*Source:* Comprehensive Annual Financial Reports of the Milan Special School District of Gibson County, TN.

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Milan Special School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is summary of the more significant accounting policies.

*Government-wide Fund Financial Statements.* The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. However, when applicable, inter-fund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly

identifiable with specific function. Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

*Measurement Focus, Basis of Accounting and Financial Statement Presentation.* Governmental funds 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 current period. For this purpose the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for property taxes that are collected within 60 days of year-end. Sales taxes and other shared revenues received through intermediary collecting governments are considered measurable and available if received by the District within 60 days of year-end. Expenditures are generally recognized when the liability is incurred, as under accrual accounting. However, debt service expenditure, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the General Fund. The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

In general, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include (i) charges to customer or applicants (including fines and fees) for goods, services or privileges provided, (ii) operating grants and contributions and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. When both restricted resources and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

*Source:* Audited Financial Statements of the Milan Special School District of Gibson County, Tennessee.

*[balance of page left blank]*

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Cash and cash equivalents consists of cash, savings and short-term certificates of deposit with an original maturity of three months or less.

The District is authorized to invest in U.S. Treasury Bills, mutual funds and certificates of deposit in local banks as well as participate in the Local Government Investment Pool administered by the State of Tennessee. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 110% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency.

*Source:* Audited Financial Statements of the Milan Special School District of Gibson County, Tennessee.

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

### ***State Taxation of Property; Classifications of Taxable Property; Assessment Rates***

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.



Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

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## *Assessment of Property*

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property; State Board of Equalization.* The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

### ***Valuation for Property Tax Purposes***

*County Valuation of Property.* The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

*State Valuation of Public Utility Property.* The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

### ***Certified Tax Rate***

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year.

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The District is considering requesting the Tennessee General Assembly reduce the Certified Tax Rate from \$2.23 to \$2.14. This reduction is intended to accomplish the reduction which should have occurred in 2019 pursuant to the State's reappraisal and equalization statute (see "Periodic Reappraisal and Equalization" above) but which, as a result of State administrative error and the timing of the District most recent adjustment of the Certified Tax Rate in April 2019, did not occur.

### ***Tax Freeze for the Elderly Homeowners***

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

### ***Tax Collection and Tax Lien***

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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*Assessed Valuations.* According to the 2019 Tax Aggregate Report of Tennessee, property in the District reflected a ratio of appraised value to true market value of 1.00 resulting from a County-wide reappraisal that was effective as of January 1, 2015. Public utility assessments have been equalized and certified by the State after adjustment for the results of sales studies.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities	\$ 8,441,304	55%	\$ 19,338,612
Commercial/Industrial	61,693,220	40%	154,604,300
Personal Tangible Property	22,280,676	30%	74,268,886
Residential, Farm, Agricultural, Other	<u>101,246,685</u>	25%	<u>404,926,500</u>
<b>Total</b>	<b><u>\$193,661,885</u></b>		<b><u>\$653,138,298</u></b>

*Source:* 2019 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the District for the fiscal year ending June 30, 2020 (tax year 2019) \$193,661,885 compared to \$182,096,136 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$653,138,298 compared to \$636,461,226 for tax year 2018.

*Property Tax Rates and Collections.* The following table shows the property tax rates, estimated taxes levied and collection data of the District for tax years 2016 (FY 2017) through 2020 (FY 2021) as well as the aggregate uncollected balances for each fiscal year ending June 30<sup>th</sup>.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year<sup>1</sup></b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>As of June 30, 2020 Amount</b>	<b>Pct</b>
2016	\$176,366,055	\$1.8774	\$3,311,096	\$3,153,651	95.2%	N/A	
2017	178,915,631	1.8774	3,358,962	3,171,024	94.4%	N/A	
2018	182,096,136	1.8774	3,418,673	3,254,409	95.2%	N/A	
2019	193,661,885	2.2300	4,318,661	4,174,942	96.7%	\$143,719	3.3%
2020	188,454,837	2.2300	4,202,543	<b>IN PROGRESS</b>			

*Source:* Tax Aggregate Reports of the State of Tennessee, Tennessee State Board of Equalization and the District  
\* Estimated

(1) The tax year coincides with the calendar year, so tax year 2020 (for example) is actually fiscal year 2020-2021.

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2020 (tax year 2019), the ten largest non- utility taxpayers in the District are as follows:

	<u><b>Taxpayer</b></u>	<u><b>Product/Service</b></u>	<u><b>Assessment</b></u>	<u><b>Taxes Paid</b></u>
1.	Assa Abloy Door Group, LLC	Manufacturing	\$ 6,505,266	\$ 145,067
2.	Walmart	Retail	3,655,440	81,516
3.	Lowe's Home Centers Inc	Retail	2,637,360	58,813
4.	Assa Abloy Door Group/Real	Manufacturing	2,500,000	55,750
5.	Milan Ncp LLC	Manufacturing	2,095,280	46,725
6.	Phoenix Jcr Milan Industrial	Industrial	1,961,960	43,752
7.	Marshall Gardens Lp	Rental	1,893,480	42,225
8.	National Health Investors	Healthcare	1,506,880	33,603
9.	Hunt David B	Hampton Inn	1,429,400	31,876
10.	Pavement Restorations Inc	Manufacturing	<u>1,244,471</u>	<u>27,752</u>
	<b>Total</b>		<b><u>\$25,429,537</u></b>	<b><u>\$567,079</u></b>

*Source:* Gibson County Trustee, Milan Special School District of Gibson County, Tennessee.

## **BEP FUNDS**

In accordance with the provisions of the Education Improvement Act of 1992, the State revised the mandated public education program delivered through locally operated school programs in the State.

Among other features, the Basic Education Plan (BEP) component of the Education Improvement Act of 1992 revised the State's funding formula for local school districts. The BEP funding formula was phased in over a five-year period that began in fiscal year 1993.

Under the BEP formula, "improvement" funds are divided into two types of expense categories: "classroom" and "non-classroom" expenditures and are in addition to operating funds previously received from the State. "Classroom" expenditures are restricted to certain expenses other than capital projects; however, "non-classroom" expenditures may be used for capital projects in addition to certain other items.

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The following table provides the District's actual receipts through the fiscal year ended June 30, 2019:

### **BEP “Non-Classroom” Funds**

<b><u>Fiscal Year</u></b>	<b><u>Actual Receipts</u></b>	<b><u>Projected Receipts *</u></b>
2016	\$2,761,000	----
2017	2,861,000	----
2018	3,006,000	----
2019	3,078,040	----
2020	3,133,000	----
2021	----	\$3,194,000

\*Projected BEP Improvement funding levels have been supplied to the District by the State. BEP Classroom and Non-Classroom Improvement funds are dollars received in addition to what was formally called the foundation program and now collectively is referred to as the BEP.

*Source:* State of Tennessee Department of Education and the Milan Special School District of Gibson County, Tennessee. Actual receipts for Fiscal Year 2014 are unaudited but were supplied by the District and believed to true and correct.

### **LOCAL OPTION SALES TAX**

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Sales Tax Act"), the County levies a County-wide local option sales tax. Under the Sales Tax Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4 %).

Pursuant to the Sales Tax Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4 %). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

The revenues from the county-wide local option sales taxes (the “Sales Tax”) are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 percent) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized public school systems in the county in which the taxes are collected based upon the average daily attendance of each school system as determined at the end of the preceding fiscal year. The balance of the Sales Tax collections normally are divided between the general fund of the city in which the Sales Taxes are collected and all incorporated cities or counties in such city based upon the situs of collection unless a separate agreement has been ratified concerning the distribution of these funds.

From the 2.75 percent Sales Tax in Gibson County and the City of Milan, the District's actual receipts from the Sales Tax for the most recent fiscal years are as follows:

<u><b>FY 2016</b></u>	<u><b>FY 2017</b></u>	<u><b>FY 2018</b></u>	<u><b>FY 2019</b></u>	<u><b>FY 2020</b></u>
\$1,359,341	\$1,345,362	\$1,403,477	\$1,438,870	\$1,666,214

*Source:* Annual Financial Reports of the District.

## **PENSION PLAN**

Employees of Milan Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions, such as Milan Special School District, participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the District's retirement programs, please refer to the appropriate Notes to Financial Statements located in the Audited Financial Statements of the District located herein.

## **OTHER POST EMPLOYMENT BENEFITS**

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 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>.



For additional information on the District's funding status and other pertinent information, please see the Notes to the Financial Statements included provided here.

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**MILAN SPECIAL SCHOOL DISTRICT**  
**(GIBSON COUNTY, TENNESSEE)**  
**SUMMARY OF BONDED INDEBTEDNESS**

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>(1) As of July 31, 2020 OUTSTANDING</b>
\$ 7,365,000	Limited Tax School Refunding Bonds, Series 2015	April 2024	Fixed	\$ 3,545,000
2,007,584	(2) EESI Loan Agreement, Series 272-001	2031	Fixed	1,796,462
9,890,000	Limited Tax School Bonds, Series 2019 (Issued 12-18-2019)	March 2049	Fixed	9,890,000
\$ 19,262,584				\$ 15,231,462
\$ 9,590,000	Limited Tax School Bonds, Series 2021	March 2050	Fixed	\$ 9,590,000
\$ 28,852,584	<b>TOTAL BONDED DEBT</b>			\$ 24,821,462

**NOTES:**

(1) The above figures do not include short-term notes, compensated absences or capitalized leases outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein. The Series 2008 Bonds were paid in full (\$400,000 of principal) on July 31, 2020 with cash from the District.

(2) The EESI Loan Agreement is payable from District revenues, but is not secured by a pledge of or lien on any revenues of the District.

**MILAN SPECIAL SCHOOL DISTRICT  
(GIBSON COUNTY, TENNESSEE)  
INDEBTEDNESS AND DEBT RATIOS**

**INTRODUCTION**

The information set forth in the following table is based upon information derived in part from the audited Financial Statements of the District including those for the most current fiscal year and should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not.

<b>INDEBTEDNESS</b>	<b>Fiscal Year Ending June 30,</b>				<b>After Issuance</b>
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>TAX SUPPORTED</b>					
General Obligation Bonds & Notes - (1)	\$ 7,465,000	\$ 6,630,000	\$ 7,772,854	\$ 6,825,270	\$ 15,631,462
<b>TOTAL TAX SUPPORTED</b>	\$ 7,465,000	\$ 6,630,000	\$ 7,772,854	\$ 6,825,270	\$ 15,631,462
<b>TOTAL DEBT</b>	\$ 7,465,000	\$ 6,630,000	\$ 7,772,854	\$ 6,825,270	\$ 15,631,462
Less: Debt Service Fund Balance					
<b>NET DIRECT DEBT</b>	\$ 7,465,000	\$ 6,630,000	\$ 7,772,854	\$ 6,825,270	\$ 15,631,462
<b>OVERLAPPING DEBT - (2)</b>	\$ 5,576,250	\$ 6,718,421	\$ 6,192,071	\$ 5,656,040	\$ 4,822,051
<b>NET DIRECT &amp; OVERLAPPING DEBT</b>	\$ 13,041,250	\$ 13,348,421	\$ 13,964,925	\$ 12,481,310	\$ 20,453,513
<b>PROPERTY TAX BASE</b>					
Estimated Actual Value	\$ 593,833,529	\$ 602,058,324	\$ 610,935,993	\$ 636,461,226	\$ 653,138,298
Appraised Value	593,833,529	590,920,245	599,633,677	609,793,501	653,138,298
Assessed Value	177,656,777	176,366,055	178,915,631	182,096,136	193,661,885

(1) The above figures do not include short-term notes, compensated absences or capitalized leases outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) OVERLAPPING DEBT - Includes the City of Milan and the prorata portion of Gibson County. Best available information.

<b>DEBT RATIOS</b>	<b>Fiscal Year Ending June 30,</b>				<b>After Issuance</b>	
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
TOTAL DEBT to Estimated Actual Value	1.26%	1.10%	1.27%	1.07%	2.39%	3.80%
TOTAL DEBT to Appraised Value	1.26%	1.12%	1.30%	1.12%	2.39%	3.80%
TOTAL DEBT to Assessed Value	4.20%	3.76%	4.34%	3.75%	8.07%	12.82%
NET DIRECT DEBT to Estimated Actual Value	1.26%	1.10%	1.27%	1.07%	2.39%	3.80%
NET DIRECT DEBT to Appraised Value	1.26%	1.12%	1.30%	1.12%	2.39%	3.80%
NET DIRECT DEBT to Assessed Value	4.20%	3.76%	4.34%	3.75%	8.07%	12.82%
OVERLAPPING DEBT to Estimated Actual Value	0.94%	1.12%	1.01%	0.89%	0.74%	0.74%
OVERLAPPING DEBT to Appraised value	0.94%	1.14%	1.03%	0.93%	0.74%	0.74%
OVERLAPPING DEBT to Assessed Value	3.14%	3.81%	3.46%	3.11%	2.49%	2.49%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	2.20%	2.22%	2.29%	1.96%	3.13%	4.54%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	2.20%	2.26%	2.33%	2.05%	3.13%	4.54%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	7.34%	7.57%	7.81%	6.85%	10.56%	15.31%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	7,687	7,667	7,640	7,612	7,612	7,612
PER CAPITA PERSONAL INCOME (2)	\$36,422	\$37,414	\$38,654	\$38,654	\$38,654	\$38,654
Estimated Actual Value to POPULATION	\$77,252	\$78,526	\$79,965	\$83,613	\$85,804	\$85,804
Assessed Value to POPULATION	\$23,111	\$23,003	\$23,418	\$23,922	\$25,442	\$25,442
Total Debt to POPULATION	\$971	\$865	\$1,017	\$897	\$2,054	\$3,261
Net Direct Debt to POPULATION	\$971	\$865	\$1,017	\$897	\$2,054	\$3,261
Overlapping Debt to POPULATION	\$725	\$876	\$810	\$743	\$633	\$633
Net Direct & Overlapping Debt to POPULATION	\$1,697	\$1,741	\$1,828	\$1,640	\$2,687	\$3,894
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.67%	2.31%	2.63%	2.32%	5.31%	8.44%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.67%	2.31%	2.63%	2.32%	5.31%	8.44%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.99%	2.34%	2.10%	1.92%	1.64%	1.64%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	4.66%	4.65%	4.73%	4.24%	6.95%	10.07%

(1) Populations based on the U.S. Census for the City of Milan.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the Bureau of Economic Analysis for Gibson County.

**MILAN SPECIAL SCHOOL DISTRICT  
(GIBSON COUNTY, TENNESSEE)  
BONDED DEBT SERVICE REQUIREMENTS**

F.Y. Ended	As of July 31, 2020			Limited Tax School			% 2021 Principal Repaid	Total Bonded Debt			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (3)	TOTAL		Principal	Interest (2)	TOTAL	
6/30											
2021	\$ 1,010,404	\$ 342,899	\$ 1,353,303	\$ -	\$ 219,257	\$ 219,257	0.00%	\$ 1,010,404	\$ 562,156	\$ 1,572,560	4.07%
2022	1,037,012	324,288	1,361,300	-	208,265	208,265		1,037,012	532,553	1,569,565	
2023	1,063,644	305,160	1,368,804	-	208,265	208,265		1,063,644	513,425	1,577,069	
2024	1,085,288	285,516	1,370,804	-	208,265	208,265		1,085,288	493,781	1,579,069	
2025	456,944	265,456	722,400	370,000	189,765	559,765	3.86%	826,944	455,221	1,282,165	20.24%
2026	463,624	255,079	718,703	370,000	171,265	541,265		833,624	426,344	1,259,968	
2027	475,316	244,535	719,851	370,000	152,765	522,765		845,316	397,300	1,242,616	
2028	487,032	233,674	720,706	370,000	134,265	504,265		857,032	367,939	1,224,971	
2029	498,760	222,496	721,256	370,000	126,865	496,865		868,760	349,361	1,218,121	
2030	505,500	213,438	718,938	370,000	123,165	493,165	23.15%	875,500	336,603	1,212,103	37.48%
2031	457,938	204,325	662,263	370,000	119,465	489,465		827,938	323,790	1,151,728	
2032	345,000	196,233	541,233	370,000	115,395	485,395		715,000	311,628	1,026,628	
2033	355,000	188,470	543,470	370,000	110,955	480,955		725,000	299,425	1,024,425	
2034	360,000	180,838	540,838	370,000	106,145	476,145		730,000	286,983	1,016,983	
2035	370,000	172,918	542,918	370,000	100,965	470,965	42.44%	740,000	273,883	1,013,883	52.54%
2036	380,000	164,593	544,593	370,000	95,600	465,600		750,000	260,193	1,010,193	
2037	385,000	155,853	540,853	370,000	90,050	460,050		755,000	245,903	1,000,903	
2038	395,000	146,805	541,805	370,000	84,315	454,315		765,000	231,120	996,120	
2039	405,000	137,325	542,325	370,000	78,395	448,395		775,000	215,720	990,720	
2040	415,000	127,200	542,200	370,000	72,290	442,290	61.73%	785,000	199,490	984,490	67.97%
2041	425,000	116,618	541,618	370,000	66,000	436,000		795,000	182,618	977,618	
2042	440,000	105,568	545,568	370,000	58,600	428,600		810,000	164,168	974,168	
2043	450,000	93,688	543,688	370,000	51,200	421,200		820,000	144,888	964,888	
2044	460,000	81,538	541,538	370,000	43,800	413,800		830,000	125,338	955,338	
2045	475,000	68,888	543,888	365,000	36,500	401,500	80.97%	840,000	105,388	945,388	84.47%
2046	490,000	55,825	545,825	365,000	29,200	394,200		855,000	85,025	940,025	
2047	510,000	42,350	552,350	365,000	21,900	386,900		875,000	64,250	939,250	
2048	510,000	28,325	538,325	365,000	14,600	379,600		875,000	42,925	917,925	
2049	520,000	14,300	534,300	365,000	7,300	372,300		885,000	21,600	906,600	
2050	-	-	-	365,000	14,320	379,320	100.00%	365,000	14,320	379,320	100.00%
	<u>\$ 15,231,462</u>	<u>\$ 4,974,196</u>	<u>\$ 20,205,658</u>	<u>\$ 9,590,000</u>	<u>\$ 3,059,137</u>	<u>\$ 12,649,137</u>		<u>\$ 24,821,462</u>	<u>\$ 8,033,332</u>	<u>\$ 32,854,794</u>	

(1) The above figures do not include short-term notes, compensated absences or capitalized leases outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein. The Series 2008 Bonds were paid in full (\$400,000 of principal) on July 31, 2020 with cash from the District.

(2) Average Coupon 2.59936%.

(3) Average Coupon 1.92%.

**MILAN SPECIAL SCHOOL DISTRICT**  
**(GIBSON COUNTY, TENNESSEE)**  
Five Year Summary of Revenues, Expenditures and  
Changes In Fund Balances - All Governmental Funds

	2016	2017	2018	2019	2020
<b>Revenues:</b>					
Taxes	\$ 4,786,055	\$ 4,868,916	\$ 4,848,604	\$ 4,975,408	\$ 6,165,129
Intergovernmental	11,341,083	11,745,436	12,325,113	12,692,668	12,829,933
Interest Earnings	2,481	4,033	24,153	70,386	100,183
Other local Revenues	97,637	96,394	102,886	80,883	91,392
Miscellaneous	61,980	28,028	19,105	84,792	137,409
<b>Total Revenues</b>	<b>\$ 16,289,236</b>	<b>\$ 16,742,807</b>	<b>\$ 17,319,861</b>	<b>\$ 17,904,137</b>	<b>\$ 19,324,046</b>
<b>Expenditures:</b>					
Instruction	\$ 8,384,442	\$ 8,471,664	\$ 8,974,709	\$ 9,048,200	\$ 9,360,245
Support Services	5,778,546	6,272,047	6,414,645	6,183,883	6,268,635
Non-Instructional Services	509,547	509,545	527,448	625,301	656,070
Debt Service	985,100	1,002,450	1,013,750	1,083,662	1,263,898
Capital Outlay	63,987	437,844	62,708	970,842	1,480,036
<b>Total Expenditures</b>	<b>\$ 15,721,622</b>	<b>\$ 16,693,550</b>	<b>\$ 16,993,260</b>	<b>\$ 17,911,888</b>	<b>\$ 19,028,884</b>
Excess of Revenues Over (Under) Expenditures	\$ 567,614	\$ 49,257	\$ 326,601	\$ (7,751)	\$ 295,162
<b>Other Financing Sources (Uses):</b>					
Transfers - In	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers - Out	-	-	-	-	-
Bond Proceeds	-	-	-	-	1,280,712
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,280,712</b>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 567,614	\$ 49,257	\$ 326,601	\$ (7,751)	\$ 1,575,874
<b>Fund Balance July 1</b>	<b>2,467,413</b>	<b>3,035,027</b>	<b>3,084,284</b>	<b>3,410,885</b>	<b>3,403,134</b>
Residual Equity Transfers	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ 3,035,027</b>	<b>\$ 3,084,284</b>	<b>\$ 3,410,885</b>	<b>\$ 3,403,134</b>	<b>\$ 4,979,008</b>

Source: Audited Annual Financial Reports of the Milan Special School District of Gibson County, Tennessee.

## CITY OF MILAN GENERAL INFORMATION

### LOCATION

Milan (the “City”) was incorporated in 1858 and is located in Gibson County (the “County”) in Western Tennessee. To the north, the County is bordered by Obion and Weakley Counties and, to the east, by Carroll County. Madison County makes up the County’s southern border, and to the west, the County is bordered by Crockett and Dyer County. Other incorporated cities in the County include Humboldt and Trenton. According to the 2010 Census, the population of Gibson County is 49,045.

### GENERAL

The County has 603 square miles. It is one of the leading agricultural counties of the state and in the nation.

*Main Street Program.* Humboldt was accredited with Tennessee Main Street Accreditation. Humboldt successfully participated in the 2016-18 round of the Tennessee Downtowns program, focusing on rebranding its downtown and celebrating its longstanding strawberry festival.

As of August 2020, there are 39 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2019, accredited Tennessee Main Street communities generated \$111 million of public and private investment and nearly 1,000 new jobs. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

### TRANSPORTATION

The County is only 27 miles to Interstate 40 in Jackson, with US Highways 45, 70 and 79 and State Highways 54, 77, 104, 105 and 152 within the County lines. The County is serviced by CSX Transportation and the West Tennessee Railroad. The nearest port is in Hickman, KY on the Mississippi River over 45 miles away. Gibson County Airport has a runway that is 4,800 feet in length. The nearest commercial airport is the McKellar-Sipes Regional Airport, over 20 miles away at Jackson, Tennessee.

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## EDUCATION

Gibson County has a unique system of education within the State of Tennessee. While most counties within the State of Tennessee incorporate a county-wide school system, Gibson County is divided into five school districts. Each district consists of one or more towns and the surrounding geographical area. Adult classes are offered in the public school system at Trenton.

*Bradford Special School District* is the smallest of the Districts. It has only two schools in the Town of Bradford with a fall 2020 enrollment of about 607 students with 38 teachers. *Gibson County Special School District* is the largest District with nine schools. This District had a fall 2020 enrollment of 4,013 students with 239 teachers. It serves the cities of Dyer, Gibson, Kenton, Medina, Rutherford, Yorkville and the unincorporated areas around the County. *Humboldt City School System* has three schools in the City with a fall 2020 enrollment of 1,192 students with 84 teachers. *Milan Special School District* has three schools in the City with a fall 2020 enrollment of 2,013 students with 126 teachers. *Trenton Special School District* has three schools in the City with a fall 2020 enrollment of 1,331 students and 79 teachers.

*Source:* Gibson County Chamber of Commerce and Tennessee Department of Education.

*Dyersburg State Community College Trenton Campus.* Dyersburg State Community College is an accredited public comprehensive community college that operates within the governance of the Tennessee Board of Regents. Founded in 1967, Dyersburg State is located on a 100-acre campus in Dyer County, Tennessee and serves the educational needs of a seven-county area of Northwest Tennessee: Lake, Obion, Dyer, Gibson, Lauderdale, Crockett and Tipton Counties. The fall of 2019 semester had an enrollment of 2,849 students. Dyersburg State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

*Source:* Dyersburg State Community College and Tennessee Higher Education Commission.

*Jackson State Community College* is located in Madison County and was founded in 1967. Jackson State offers associate degrees, certificates, and enrichment courses as preparation for further higher education and for career entry or advancement. The fall 2019 enrollment was 4,946 students. There are also three satellite campuses: Savannah (Hardin County), Lexington (Henderson County) and Humboldt (Gibson County).

*Source:* Jackson State Community College and Tennessee Higher Education Commission.

*The Tennessee College of Applied Technology at Jackson.* The Tennessee College of Applied Technology at Jackson (the “TCAT-J”) is part of a statewide system of 26 vocational-technical schools. The TCAT-J meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-J serves the southwest region of the state including Madison, Gibson, Henderson, Crockett and Chester Counties. The TCAT-J began operations in 1963, and the main campus is located in Madison County. Fall 2018 enrollment was 1,093 students. There are four satellite centers: the McWhorter Instructional Service Center in Jackson, the Lexington Extension Campus, Humboldt High School and the Humboldt Instructional Service Center.

*Source:* Tennessee College of Applied Technology at Jackson and Tennessee Higher Education Commission.



## HEALTHCARE

Gibson County has one hospital and two outpatient clinics owned by West Tennessee Healthcare (the “WTH”). Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

*Milan General Hospital* has been operating a 73-bed acute care facility since 1941 when the hospital became a wholly-owned affiliate of WTH in 1998. *Humboldt Medical Center* (formerly Humboldt General Hospital) and *Trenton Medical Center* (formerly Gibson General Hospital), located in Humboldt and Trenton, respectively, closed their inpatient facilities and remain open as outpatient clinics only.

*Jackson-Madison County General Hospital*, located about 27 miles away to the south, is the flagship of West Tennessee Healthcare. The facility is a 642-bed tertiary care center that is the only tertiary care hospital between Memphis and Nashville. The hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. General Hospital offers the West Tennessee Heart and Vascular Center, Kirkland Cancer Center, West Tennessee Women's Center, West Tennessee Rehabilitation Center, West Tennessee Neuroscience and Spine Center, and Emergency Services. General Hospital offers the only open-heart surgery program in rural West Tennessee. Jackson-Madison County General Hospital is fully accredited by The Joint Commission.

*Source:* West Tennessee Healthcare.

## MANUFACTURING AND COMMERCE

*Bradford Industrial Parks.* Bradford has two industrial sites. Bradford Industrial Park has 78 acres sitting on TN 54 and US 45-E with water, sewage, electricity and gas on site. The second site is Wingo Property with 30 acres in town near Business 45-E. Rail service is on site.

*Dyer Industrial Park.* Dyer Industrial Park has been certified through the Select Tennessee Certified Sites program. The 32-acre site at Dyer Industrial Park is the fifth certified site in Gibson County. To date, companies have invested nearly \$2 billion on projects locating on certified sites, accounting for 7,200 job commitments. The Select Tennessee Certified Sites program has helped communities prepare industrial sites for private investment and job creation since 2012. Qualifications for certification include having at least 20 acres of developable land for industrial operations, documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access.

*Milan Army Ammunition Plant or the Milan Arsenal.* Milan Army Ammunition Plant (MLAAP) maintains a capability to Load, Assemble, and Pack reliable medium-to-large caliber ammunition. However, MLAAP is no longer actively producing ammunition and continues with its transition to a commercial distribution site. In 2012 the facility at Milan Arsenal eliminated 500 lost jobs which resulted in an estimated \$30 million loss to the local economy in Milan. The

Arsenal is located on over 22,350 acres with 1,450 building and 873 igloos. It was established in 1941. The Arsenal function is to serve the United States Army with conventional ammunition produced and stored.

*Milan Industrial Park.* The largest industrial site in the area is the Milan Army Ammunition Plant (the “MLAAP”), a 35 square mile acre facility owned by the U. S. Government but operated by the Lockheed Martin Ordnance System. It is located in mainly in Milan, Gibson County with some acreage also in Carroll County. The MLAAP mission is to load, assemble, pack, store, and ship/receive containerized conventional ammunition. MLAAP is housed on 22,357 acres with 1,450 buildings and 873 igloos and a storage capacity of 2,270,000 square feet. The site employs military, civilian and contractor personnel. Milan Ordnance Depot and Wolf Creek Ordnance Plant were established in 1941. In 1943, they merged, becoming Milan Ordnance Center and later Milan Arsenal in 1945. In the 1960s, it became MLAAP.

*The Graball Site,* owned by the U.S. Army, is available for long-term lease and is “inside the fence” of the Milan Industrial Complex. Over 100 acres in size, this Certified Site offers a buildable site of approximately 60 acres just a few hundred feet inside the facility’s Graball Gate, which has direct access to U.S. Highway 45, a direct, four-lane divided truck route, accessible to Interstate 40.

*Trenton Industrial Parks.* There are two major industrial parks in Trenton; the largest being Industrial Park Drive, containing 115 acres and Manufacturer's Row, containing 15 acres. These two sites feature rail line support and ready access (.5 miles) to the local divided state highway (45) which joins the interstate highway system in Jackson 27 miles from the industrial parks. The city has a large industrial park that is home to Trenton's largest industries. The park features the still-available 63,000 square foot Trenton Spec Building. The building site features electricity, gas, water and sewage.

*Tyson Foods, Inc.* Tyson Foods, one of the world’s largest food companies, operates facilities in Goodlettsville, Newbern, Shelbyville, Humboldt and Union City in Tennessee. The company employs more than 5,500 in the state.

*Source:* Gibson County Chamber of Commerce.

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## Major Employers in Gibson County, Tennessee

<u>Company</u>	<u>Product</u>	<u>Location</u>	<u>Employees</u>
Gibson Co. Special School District	Education	Dyer	550
Ceco Door Products	Metal Doors	Milan	514
Wal-Mart	Retail	Humboldt & Milan	500
AADG, Inc.	Doors and Frames	Milan	400
Milan Special School District	Education	Milan	300
Gibson County	Government	Trenton	292
Winfrey Center	Assistive Services	Trenton	250
MacLean Power Systems	Products for Utilities	Trenton	222
Humboldt Special School District	Education	Humboldt	213
Sav-A-Lot	Grocery Distribution	Humboldt	212
Kongsberg Automotive	Automotive Parts	Milan	194
Dana Corporation	Automotive Parts	Humboldt	189
Bongard South, LLC		Humboldt	170
Schwarz Supply Source	Distribution	Milan	160
Reinhausen Manufacturing, Inc.	Load Tap Changer	Humboldt	131
Delta Contracting	Road Construction	Humboldt	125
Pratt Industries	Corrugated Containers	Humboldt	120
Trenton Special School District*	Education	Trenton	108
City of Humboldt	Government	Humboldt	100
Westrock Co. (Rock Tenn)	Corrugated Containers	Humboldt	100
American Woodmark	Cabinets	Humboldt	87
Gray Metal South	Manufacturing	Humboldt	76
Jones Manufacturing	Industrial Yarn	Humboldt	75
Parragon Inc.	Book Packaging	Milan	75
DURA Automotive System	Automotive Parts	Milan	74
American Ordnance, LLC	Ordnance & Accessories	Milan	72
Con-Agra Foods	Distribution	Humboldt	67
Chicago Metallic Products	Commercial Bakeware	Humboldt	66
Big Ben Galvanizing	Hot Dip Galvanizing	Trenton	62
Gibson County Farmers Co-Op	Retail	Trenton	60

\*Employment is only for teachers, administrators and staff.

Source: TN Department of Economic and Community Development, The West Tennessee Industrial Association, the Comprehensive Annual Financial Report of the City of Humboldt, and Milan Chamber of Commerce - 2019.

### EMPLOYMENT INFORMATION

Due to the national rise in unemployment due to COVID-19 in the spring of 2020, the rates for the County for November 2020 do not represent the usual unemployment rate.

For the month of November 2020, the unemployment rate for the Gibson County stood at 5.4% with 21,782 persons employed out of a labor force of 23,022.

The following charts show unemployment trends in the County for the last 5 years:

### Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
<b>Gibson County</b>	<b>7.4%</b>	<b>5.8%</b>	<b>4.6%</b>	<b>4.4%</b>	<b>4.2%</b>
Index vs. National	140	118	105	122	108
Index vs. State	132	123	121	126	124

*Source:* Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

### ECONOMIC DATA

#### Per Capita Personal Income

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
National	\$47,058	\$48,978	\$49,870	\$51,885	\$54,446
Tennessee	\$40,801	\$42,593	\$43,726	\$44,950	\$46,900
<b>Gibson County</b>	<b>\$35,101</b>	<b>\$36,104</b>	<b>\$36,422</b>	<b>\$37,414</b>	<b>\$38,654</b>
Index vs. National	75	74	73	72	71
Index vs. State	86	85	83	83	82

*Source:* U.S. Department of Commerce, Bureau of Economic Analysis.

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## Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Gibson County</u>	<u>Humboldt</u>	<u>Milan</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$98,600	\$81,900	\$106,000
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	85.3%	80.3%	84.6%
% Persons with Income Below Poverty Level	10.5%	13.9%	14.3%	28.3%	19.1%
Median Household Income	\$62,843	\$53,320	\$43,171	\$31,165	\$43,509

*Source:* U.S. Census Bureau State & County QuickFacts - 2019.

### TOURISM

*Trenton Historic District.* The town itself was placed on the National Register of Historic Places in 1982 as the Trenton Historic District with 96 buildings and 520 acres - this collection of homes includes antebellum mansions, quaint cottages, and three tree lined streets. The three red and blond brick court house built in 1899 features a clock tower and a hanging bell. Most of the homes are privately owned, but the restored Freed House is owned and operated by the city. It is open for tours and special events.

*West Tennessee Strawberry Festival.* Humboldt is the home of the West Tennessee Strawberry Festival, held the first full week in May. The Festival was established in 1934 and attracts over 100,000 people every year. It is a nationally recognized event and has led to the establishment of the Strawberry Festival Historical Museum.

*Source:* Humboldt Chamber of Commerce.

### RECENT DEVELOPMENTS

*Adient.* Adient closed its Futuris plant in Milan the end of 2017. This resulted in 148 employees being laid off. Adient bought the Futuris plant in September of 2017. The facility made automotive seating and interior systems.

*Bongards' Creameries.* Bongards' Creameries, located in Humboldt, started a \$35 million expansion to the existing facility to add 80,000 square feet in order to increase production, packaging and processing. The expansion was completed in late 2018 and will add about 95 jobs. Bongards', based in Minnesota, is a farmer-owned cooperative that produces natural and processed cheese.

*Global Track Manufacturing.* Construction is expected to be completed in 2020 on a production facility in Milan for Global Track Manufacturing USA, Inc. This Milan plant will be Global Track's second facility and should create about 250 jobs. Global Track manufactures rubber tracks and undercarriage for industrial and agricultural equipment.

*Love's Travel Stops.* Announced in 2019, Love's Travel Stops will build a new \$8.8 million tire retread and distribution facility in Milan. The 200,000-square-foot Milan facility will be largest of its kind for Love's and should create up to 80 jobs. Love's operates more than 490 locations and 330 Love's Truck Tire Care centers and Speedco locations across the U.S. Love's Travel Stops is a national travel stop network with more than 490 locations in 41 states and offers heavy-duty tire care, light mechanical services, commercial truck oil changes and roadside assistance for professional drivers.

*Tyson Food, Inc.* Tyson Food finished construction on a new facility in Gibson County Industrial Park North site in Humboldt. The new facility operates as a tray pack facility, which includes a hatchery, processing facility and feed mill. The facility was operational in 2019. Leading food processor, Tyson Foods, will create more than 1,500 jobs and invest over \$300 million in Humboldt, which represents Tyson's biggest investment in Tennessee and the single largest investment in Gibson County's history.

Tyson Foods is one of the world's largest food processing companies. The company produces chicken, beef and pork, as well as prepared foods. The company offers food products under *Tyson, Jimmy Dean, Hillshire Farm, Sara Lee, Ball Park, Wright, Aidells and State Fair* brands. Tyson currently has four facilities in Tennessee and employs approximately 5,000 Tennesseans.

*Source:* The Jackson Sun and Tennessee Department of Economic & Community Development.

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## **APPENDIX C**

### **GENERAL PURPOSE FINANCIAL STATEMENTS**

#### **OF**

### **MILAN SPECIAL SCHOOL DISTRICT (GIBSON COUNTY, TENNESSEE)**

#### **FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2020**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Milan Special School District for the fiscal year ended June 30, 2020 which is available upon request from the District.





**MILAN SPECIAL SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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## **INTRODUCTORY SECTION**

**MILAN SPECIAL SCHOOL DISTRICT  
DIRECTORY**  
June 30, 2020

**ELECTED OFFICIALS**

Will Ownby, Chairman  
Stacy Hensley, Vice Chairperson  
Sid Crocker, Member  
Becky Fisher, Member  
Yolanda Lett, Member  
Gregory Horton, Member  
Melissa Ross, Member

**APPOINTED OFFICIALS**

Jonathan Criswell, Director of Schools  
Sharon Petty, Finance Director (until October 2020)  
Leanne Green, Finance Director (from July 2020 - 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**



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## 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, 2020, 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, 2020, and the respective changes in financial position 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.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 28, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milan Special School District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 28, 2020

## 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, 2020. 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.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$12,950,188. Of this amount, \$977,598 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 \$9,899,568.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$3,530,303, or 18.55% of total general purpose fund expenditures.
- During fiscal year 2020, the District's total bonded debt increased by \$8,965,000. This was due to the issuance of the Limited Tax School Bonds, Series 2019 issued in December 2019 for the amount of \$9,890,000.

### 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 and the capital projects are considered to be major funds and the federal projects and the cafeteria 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. For the fiscal year ended June 30, 2020, all funds expenditures were under budget.

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 and other financial information are presented as supplementary and other information.

Please refer to the Table of Contents to locate the required supplementary information and the supplementary and other information.

## 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 \$12,950,188 at the close of the fiscal year ended June 30, 2020.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Assets:</b>		
Current and other	\$ 18,852,202	\$ 10,489,407
Capital assets - net of accumulated depreciation	<u>20,377,417</u>	<u>14,904,334</u>
Total assets	<u>39,229,619</u>	<u>25,393,741</u>
<b>Deferred outflows of resources:</b>		
Pension related deferred outflows	1,611,354	1,863,919
OPEB related deferred outflows	<u>2,022,883</u>	<u>841,621</u>
	<u>3,634,237</u>	<u>2,705,540</u>
<b>Liabilities:</b>		
Long-term liabilities	20,637,216	10,545,048
Other liabilities	<u>2,285,882</u>	<u>1,185,341</u>
Total liabilities	<u>22,923,098</u>	<u>11,730,389</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	4,318,660	4,294,095
Pension related deferred inflows	2,280,824	1,460,882
OPEB related deferred inflows	<u>391,086</u>	<u>105,279</u>
Total deferred inflows of resources	<u>6,990,570</u>	<u>5,860,256</u>
<b>Net Position:</b>		
Net investment in capital asset	8,446,460	8,040,383
Restricted	3,526,130	1,648,920
Unrestricted	<u>977,598</u>	<u>819,333</u>
Total net position	<u>\$ 12,950,188</u>	<u>\$ 10,508,636</u>

The above provides a summary of the District's net position for 2020 and 2019.

An additional portion of the District's net position, \$3,526,130, or 27.2%, 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. \$2,455,454 of the District's net position, or 19.0%, is restricted for

the District's net pension asset. The remaining balance of *unrestricted net position* \$977,598, may be used to meet the government's ongoing obligations to citizens and creditors.

The District's total net position increased by \$2,441,552 during the year ended June 30, 2020. The increase was mainly due to increases in grants and contributions and property tax revenues in current year.

The following summary shows the changes in net position for fiscal years ended June 30, 2020 and 2019:

### The District's Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 158,389	\$ 196,809
Operating grants and contributions	3,653,504	3,381,175
Capital grants and contributions	-	41,623
General revenues		
Property taxes	4,486,153	3,523,625
Sales taxes	1,679,262	1,451,782
Grants and contributions not restricted to certain programs	11,845,396	11,704,436
Interest	172,507	73,969
Other miscellaneous revenues	259,715	140,968
Total revenues	<u>22,254,926</u>	<u>20,514,387</u>
<b>Expenses:</b>		
Instruction	10,204,786	9,471,889
Support services	6,969,205	6,736,869
Non-instructional services	2,639,383	2,280,383
Total expenses	<u>19,813,374</u>	<u>18,489,141</u>
<b>Change in net position</b>	2,441,552	2,025,246
Net position, beginning	<u>10,508,636</u>	<u>8,483,390</u>
Net position, ending	<u>\$ 12,950,188</u>	<u>\$ 10,508,636</u>

**Governmental activities** Governmental activities increased the District's net position by \$2,441,552.

Total governmental activities' revenue for the fiscal year ended June 30, 2020 was \$22,254,926 and \$20,514,387 for the year ended June 30, 2019. 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:

	June 30, 2020		June 30, 2019	
<b>Revenues:</b>				
Program revenues	Amount	Percent	Amount	Percent
Charges for services	\$ 158,389	1%	\$ 196,809	1%
Operating grants and contributions	3,653,504	16%	3,381,175	16%
Capital grants and contributions	-	0%	41,623	0%
General revenues				
Property taxes	4,486,153	20%	3,523,625	17%
Sales taxes	1,679,262	8%	1,451,782	7%
Grants and contributions not restricted to certain programs	11,845,396	53%	11,704,436	57%
Interest	172,507	1%	73,969	0%
Other miscellaneous revenues	259,715	1%	140,968	2%
Total revenues	<u>\$ 22,254,926</u>	<u>100%</u>	<u>\$ 20,514,387</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, 2020, the District's governmental funds reported combined fund balances of \$9,899,568, an increase of \$5,733,967 in comparison with the prior year. Approximately 35.66% of this amount, \$3,530,303 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 \$29,991, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$4,873,496, 4) committed for particular purposes \$0, or 5) assigned for particular purposes \$1,465,778.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$3,530,303.

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 18.55% of the total general purpose fund expenditures, while total fund balances represents 26.17% of that same amount.

The District's general purpose fund balance increased by \$1,575,874 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, 2020 and 2019 are briefly summarized as follows:

	June 30, 2020			June 30, 2019		
<b>General Purpose Fund</b>						
<b>Revenues</b>	Original	Final	Difference	Original	Final	Difference
Taxes	\$4,653,000	\$ 4,704,662	\$ 51,662	\$4,635,000	\$ 4,635,000	\$ -
Intergovernmental	12,738,956	12,826,606	87,650	12,602,385	12,704,720	102,335
Miscellaneous	33,100	114,364	81,264	7,100	75,814	68,714
Total revenues	<u>17,425,056</u>	<u>17,645,632</u>	<u>220,576</u>	<u>17,244,485</u>	<u>17,415,534</u>	<u>171,049</u>
<b>Expenditures</b>						
Instruction	9,403,759	9,429,458	25,699	9,295,140	9,233,895	(61,245)
Support services	6,281,782	6,519,198	237,416	6,356,415	6,475,871	119,456
Non-instructional services	1,895,801	3,505,208	1,609,407	1,592,930	3,078,983	1,486,053
Total expenditures	<u>17,581,342</u>	<u>19,453,864</u>	<u>1,872,522</u>	<u>17,244,485</u>	<u>18,788,749</u>	<u>1,544,264</u>
<b>Excess (deficiency) of revenues</b>						
<b>over (under) expenditures</b>	<u>\$ (156,286)</u>	<u>\$ (1,808,232)</u>	<u>\$ (1,651,946)</u>	<u>\$ -</u>	<u>\$ (1,373,215)</u>	<u>\$ (1,373,215)</u>

During the year ended June 30, 2020 and 2019, more revenues were in the general purpose fund than budgetary estimates. The increases in budgeted expenditures were mainly due to an increase in capital outlay expenditures.

**Long-term debt.** As of June 30, 2020, the District had total bonded debt outstanding of \$13,835,000 and an outstanding balance of \$1,796,462 related to the Energy Efficient Schools Initiative Loan. As of June 30, 2019, the District had total bonded debt outstanding of \$4,870,000 and a loan payable of \$1,955,270. 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, 2020	June 30, 2019
Bonds	\$ 15,631,462	\$ 6,714,000
Bond premium	149,143	60,007
Bond discount	(16,837)	(21,326)
Net OPEB liability	4,801,627	2,914,972
Net pension liability	-	8,538
Compensated absences	71,821	71,821
	<u>\$ 20,637,216</u>	<u>\$ 9,748,012</u>

Additional information regarding the long-term debt of the District can be found in the Notes to the Financial Statements in Note 4G.

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

## Capital Asset and Debt Administration

**Capital Assets** The District's investment in capital assets for its governmental funds as of June 30, 2020 and 2019 amounts to \$8,446,460 and \$8,040,383 (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, 2020			
	June 30, 2019	Additions	Reductions	June 30, 2020
Capital assets not being depreciated:				
Land	\$ 854,415	\$ -	\$ -	\$ 854,415
Work in progress	754,162	5,765,725	685,379	5,834,508
	<u>1,608,577</u>	<u>5,765,725</u>	<u>685,379</u>	<u>6,688,923</u>
Capital assets being depreciated:				
Buildings and improvements	23,393,562	554,115	-	23,947,677
Other capital assets	3,697,187	639,907	-	4,337,094
	<u>27,090,749</u>	<u>1,194,022</u>	<u>-</u>	<u>28,284,771</u>
Accumulated depreciation:				
Buildings and improvements	11,529,383	629,136	-	12,158,519
Other capital assets	2,265,609	172,149	-	2,437,758
	<u>13,794,992</u>	<u>801,285</u>	<u>-</u>	<u>14,596,277</u>
Capital assets being depreciated, net	<u>13,295,757</u>	<u>392,737</u>	<u>-</u>	<u>13,688,494</u>
Capital assets, net of accumulated depreciation	<u>14,904,334</u>	<u>6,158,462</u>	<u>685,379</u>	<u>20,377,417</u>
Long-term debt related to capital assets				
Total long-term debt	(6,825,270)	(9,890,000)	(1,083,808)	(15,631,462)
Unspent bond proceeds	-	3,832,811	-	3,832,811
	<u>(6,825,270)</u>	<u>(6,057,189)</u>	<u>(1,083,808)</u>	<u>(11,798,651)</u>
Capital assets net of accumulated depreciation and related debt	<u>8,079,064</u>	<u>101,273</u>	<u>(398,429)</u>	<u>8,578,766</u>
Bond discount	21,326	-	4,489	16,837
Bond premium	(60,007)	(103,494)	(14,358)	(149,143)
	<u>(38,681)</u>	<u>(103,494)</u>	<u>(9,869)</u>	<u>(132,306)</u>
Net investment in capital asset	<u>\$ 8,040,383</u>	<u>\$ (2,221)</u>	<u>\$ (408,298)</u>	<u>\$ 8,446,460</u>

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

The unemployment rate for Gibson County is currently 8.8%. This compares favorably to the State's average unemployment rate of 9.7% and the national average unemployment rate of 11.1%. All of the rates are from labor statistics released for June 2020. All of these factors were considered in preparing the District's budget for the 2020-2021 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, 2020

**Assets:**

Cash and cash equivalents	\$ 11,266,937
Accounts receivable	36,966
Taxes receivable	4,318,660
Due from other governmental agencies - nongrant	327,038
Due from other governmental agencies - grants	345,610
Inventory	29,991
Net pension asset	2,455,454
Stabilization reserve trust - restricted	71,546
Capital assets, not being depreciated:	
Land	854,415
Work in progress	5,834,508
Capital assets, net of accumulated depreciation:	
Buildings and improvements	11,789,158
Other capital assets	1,899,336
<b>Total assets</b>	<b><u>39,229,619</u></b>

**Deferred outflows of resources:**

Pension related deferred outflows	1,611,354
OPEB related deferred outflows	2,022,883
<b>Total deferred outflows of resources</b>	<b><u>3,634,237</u></b>

**Liabilities:**

Accounts payable	1,211,997
Retainage payable	168,717
Other accrued expenses	893,618
Unearned revenue - STEM grant	11,550
Long-term liabilities:	
Due within one year	1,145,938
Due in more than one year	14,689,651
Net OPEB liability	4,801,627
<b>Total liabilities</b>	<b><u>22,923,098</u></b>

**Deferred inflows of resources:**

Pension related deferred inflows	2,280,824
OPEB related deferred inflows	391,086
Unavailable revenue - property taxes	4,318,660
<b>Total deferred inflows of resources</b>	<b><u>6,990,570</u></b>

**Net position:**

Net investment in capital assets	8,446,460
Restricted for:	
Net pension asset	2,455,454
Stabilization reserve trust	71,546
Food service	969,139
Food service - inventory	29,991
Unrestricted	977,598
<b>Total net position</b>	<b><u>\$ 12,950,188</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, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular education	\$ 8,021,158	\$ -	\$ 805,007	\$ (7,216,151)
Alternate education	106,791	-	-	(106,791)
Special education	1,563,816	-	475,243	(1,088,573)
Vocational education	513,021	-	62,141	(450,880)
<b>Support services:</b>				
Attendance	182,498	-	-	(182,498)
Health services	351,478	-	107,803	(243,675)
Other student support	669,059	-	90,061	(578,998)
Regular education	1,004,825	-	161,677	(843,148)
Alternative instruction	16,340	-	-	(16,340)
Special education	278,791	-	95,337	(183,454)
Vocational education	99,752	-	10,831	(88,921)
Technology	305,680	-	6,623	(299,057)
Board of Education	315,103	-	-	(315,103)
Office of the Director	247,373	-	1,568	(245,805)
Office of the Principal	999,230	-	1,568	(997,662)
Fiscal services	208,512	-	-	(208,512)
Human services/personnel	101,713	-	-	(101,713)
Operation and maintenance of plant	1,590,964	-	-	(1,590,964)
Student transportation	597,887	-	-	(597,887)
<b>Non-instructional services:</b>				
Food service	1,176,247	157,789	1,254,323	235,865
Community services	102,642	600	72,174	(29,868)
Early Childhood Education	554,250	-	509,148	(45,102)
Regular capital outlay	291,703	-	-	(291,703)
Capital outlay (under capitalization threshold)	16,983	-	-	(16,983)
Debt service (interest and other costs)	497,558	-	-	(497,558)
	\$ 19,813,374	\$ 158,389	\$ 3,653,504	\$ (16,001,481)

*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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<b>General revenues:</b>					
	Property taxes				\$ 4,486,153
	Sales taxes				1,679,262
	Grants and contributions not restricted to certain programs				
	Basic Education Program				11,844,000
	Other				1,396
	Interest				172,507
	Marriage license				432
	Insurance recovery				81,264
	Other local revenues				178,019
	<b>Total general revenues</b>				<b><u>18,443,033</u></b>
	<b>Change in net position</b>				<b>2,441,552</b>
	Net position, beginning				<u>10,508,636</u>
	Net position, ending				<u>\$ 12,950,188</u>

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

## **FUND FINANCIAL STATEMENTS**

**MILAN SPECIAL SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2020**

	<b>MAJOR</b>		<b>NONMAJOR</b>	
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,301,188	\$ 5,065,069	\$ 900,680	\$ 11,266,937
Accounts receivable	36,237	-	729	36,966
Taxes receivable	4,318,660	-	-	4,318,660
Due from other governments - non grants	327,038	-	-	327,038
Due from other governments - grants	208,768	-	136,842	345,610
Due from other funds	69,112	-	-	69,112
Stabilization reserve trust - restricted	71,546	-	-	71,546
Inventory	-	-	29,991	29,991
<b>Total assets</b>	<b>\$ 10,332,549</b>	<b>\$ 5,065,069</b>	<b>\$ 1,068,242</b>	<b>\$ 16,465,860</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 237,075	\$ 974,922	\$ -	\$ 1,211,997
Retainage payable	-	168,717	-	168,717
Accrued expenses	786,256	-	-	786,256
Unearned revenue - STEM grant	11,550	-	-	11,550
Due to other funds	-	-	69,112	69,112
<b>Total liabilities</b>	<b>1,034,881</b>	<b>1,143,639</b>	<b>69,112</b>	<b>2,247,632</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,318,660	-	-	4,318,660
<b>Total deferred inflows of resources</b>	<b>4,318,660</b>	<b>-</b>	<b>-</b>	<b>4,318,660</b>
Fund balances:				
Nonspendable				
Inventory	-	-	29,991	29,991
Restricted				
Construction projects	-	3,832,811	-	3,832,811
Operation of non-instructional services	-	-	969,139	969,139
Stabilization reserve trust	71,546	-	-	71,546
Assigned				
Construction and maintenance	229,391	88,619	-	318,010
Debt payment	405,750	-	-	405,750
Other purposes	742,018	-	-	742,018
Unassigned	3,530,303	-	-	3,530,303
<b>Total fund balances</b>	<b>4,979,008</b>	<b>3,921,430</b>	<b>999,130</b>	<b>9,899,568</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,332,549</b>	<b>\$ 5,065,069</b>	<b>\$ 1,068,242</b>	<b>\$ 16,465,860</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, 2020

**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>\$ 9,899,568</b>
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	20,377,417
Net pension asset (liability) and Net OPEB (liability) are not financial resources (uses) in the current period and, therefore, are not reported as an asset (liability) in governmental funds.	
Net pension asset	2,455,454
Net OPEB	(4,801,627)
Deferred outflows of resources related to pension and OPEB in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds	3,634,237
Deferred inflows of resources related to pension and OPEB in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds	(2,671,910)
Some payables are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(107,362)
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	(15,631,462)
Accrued leave	(71,821)
Bond discount	16,837
Bond premium	(149,143)
	<u>(15,835,589)</u>
<b>Net position of governmental activities (Page 13)</b>	<b><u>\$ 12,950,188</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, 2020

	<b>MAJOR</b>		<b>NONMAJOR</b>	
	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$ 6,165,129	\$ -	\$ -	\$ 6,165,129
Intergovernmental	12,829,933	-	2,576,896	15,406,829
Meal sales	-	-	157,789	157,789
Interest earnings	100,183	65,095	-	165,278
Other local revenues	91,392	-	11,865	103,257
Miscellaneous	137,409	-	-	137,409
Total revenues	<u>19,324,046</u>	<u>65,095</u>	<u>2,746,550</u>	<u>22,135,691</u>
<b>Expenditures:</b>				
Current				
Instruction	9,360,245	-	1,023,860	10,384,105
Support services	6,268,635	-	298,713	6,567,348
Food service	-	-	1,145,943	1,145,943
Non-instructional services	656,070	-	-	656,070
Debt service	1,263,898	249,885	-	1,513,783
Capital outlay	1,480,036	4,629,798	-	6,109,834
Total expenditures	<u>19,028,884</u>	<u>4,879,683</u>	<u>2,468,516</u>	<u>26,377,083</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u><b>295,162</b></u>	<u><b>(4,814,588)</b></u>	<u><b>278,034</b></u>	<u><b>(4,241,392)</b></u>
<b>Other financing sources (uses)</b>				
Proceeds on issuance of bonds	1,280,712	8,609,288	-	9,890,000
Premiums on debt	-	103,494	-	103,494
	<u>1,280,712</u>	<u>8,712,782</u>	<u>-</u>	<u>9,993,494</u>
<b>Net change in fund balance</b>	<b>1,575,874</b>	<b>3,898,194</b>	<b>278,034</b>	<b>5,752,102</b>
Fund balance - beginning	3,403,134	23,236	739,231	4,165,601
Increase (decrease) in inventory	<u>-</u>	<u>-</u>	<u>(18,135)</u>	<u>(18,135)</u>
Fund balance - ending	<u><u>\$ 4,979,008</u></u>	<u><u>\$ 3,921,430</u></u>	<u><u>\$ 999,130</u></u>	<u><u>\$ 9,899,568</u></u>

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

## For the Fiscal Year Then Ended June 30, 2020

<b>Net change in fund balance - total governmental funds (Page 18)</b>	<b>\$ 5,752,102</b>
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State share of OPEB expense	119,233
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**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, 2020**

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.

(93,625)

The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance increases the liability on the statement of activities.

(9,890,000)

**Change in net position of governmental activities (Page 15)**

**\$ 2,441,552**

*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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>Revenues:</b>				
<b>Taxes:</b>				
Local option sales tax	\$ 1,315,000	\$ 1,315,000	\$ 1,666,214	\$ 351,214
Interstate telecommunications tax	8,000	8,000	12,762	4,762
	<u>1,323,000</u>	<u>1,323,000</u>	<u>1,678,976</u>	<u>355,976</u>
 City/Special School District:				
Current property tax	3,115,000	3,166,662	4,174,942	1,008,280
Prior year's property tax	87,000	87,000	123,923	36,923
Interest and penalty	18,000	18,000	52,986	34,986
Payment in lieu of taxes	110,000	110,000	134,302	24,302
	<u>3,330,000</u>	<u>3,381,662</u>	<u>4,486,153</u>	<u>1,104,491</u>
 <b>Total taxes</b>	<b><u>4,653,000</u></b>	<b><u>4,704,662</u></b>	<b><u>6,165,129</u></b>	<b><u>1,460,467</u></b>
 <b>Intergovernmental:</b>				
Licenses and Permits:				
Marriage licenses	<u>500</u>	<u>500</u>	<u>432</u>	<u>(68)</u>
 <b>State revenues:</b>				
State education funds:				
Basic Education Program	11,827,000	11,844,000	11,844,000	-
Early Childhood Education	509,948	509,948	509,148	(800)
Driver education	6,500	6,500	8,944	2,444
Other state education funds	311,528	257,560	241,799	(15,761)
Career Ladder	47,000	47,000	35,280	(11,720)
Special education	13,480	13,480	30,245	16,765
	<u>12,715,456</u>	<u>12,678,488</u>	<u>12,669,416</u>	<u>(9,072)</u>
 Other State revenues:				
Mixed drink tax	<u>-</u>	<u>-</u>	<u>286</u>	<u>286</u>
 Total State revenues	<u>12,715,456</u>	<u>12,678,488</u>	<u>12,669,702</u>	<u>(8,786)</u>
 <b>Federal revenues:</b>				
Federal funds received:				
Transition school to work	-	99,070	107,803	8,733
Head start program	23,000	48,548	51,996	3,448
Total Federal revenues	<u>23,000</u>	<u>147,618</u>	<u>159,799</u>	<u>12,181</u>
 <b>Total intergovernmental</b>	<b><u>12,738,956</u></b>	<b><u>12,826,606</u></b>	<b><u>12,829,933</u></b>	<b><u>3,327</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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Miscellaneous revenues:				
Interest earned	31,000	31,000	100,183	69,183
Lease/rentals	400	400	600	200
Sale of equipment	-	-	396	396
Contributions	1,200	1,200	1,000	(200)
Insurance recovery	-	81,264	81,264	-
Other local revenues	500	500	54,149	53,649
<b>Total miscellaneous</b>	<b>33,100</b>	<b>114,364</b>	<b>237,592</b>	<b>123,228</b>
<b>Total revenues</b>	<b>17,425,056</b>	<b>17,645,632</b>	<b>19,232,654</b>	<b>1,587,022</b>
<b>Expenditures:</b>				
<b>Current</b>				
<b>Instruction:</b>				
Regular instruction program:				
Teachers	4,924,367	4,871,432	4,849,482	(21,950)
Career Ladder Program	30,000	30,000	29,489	(511)
Homebound teachers	8,500	4,500	3,915	(585)
Salary Supplements	231,100	248,410	238,115	(10,295)
Aides	153,000	153,000	152,563	(437)
Bonus Payments	130,750	130,858	130,858	-
Other Salaries and wages	24,600	25,392	17,589	(7,803)
Substitute teachers	10,000	10,000	3,000	(7,000)
Non-certified substitute teachers	50,000	43,000	41,833	(1,167)
Social Security	340,487	325,607	306,985	(18,622)
State retirement	523,278	523,428	517,226	(6,202)
Medical insurance	547,000	547,000	532,516	(14,484)
Medicare	81,665	81,693	72,474	(9,219)
TCRS stab fund	25,250	25,250	-	(25,250)
Licenses	33,718	49,618	76,210	26,592
Maintenance and repair	400	400	-	(400)
Travel	6,600	3,819	3,385	(434)
Other contracted services	4,300	2,160	2,160	-
Data Processing	8,250	8,250	8,140	(110)
Instructional supplies/materials	106,320	95,750	94,750	(1,000)
Textbooks	265,692	254,571	267,713	13,142
Other supplies and materials	-	10,500	10,165	(335)
Other charges	1,286	3,550	3,051	(499)
Furniture and fixtures	500	500	935	435

*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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Equipment	95,000	234,193	233,568	(625)
	<u>7,602,063</u>	<u>7,682,881</u>	<u>7,596,122</u>	<u>(86,759)</u>
Alternate instruction program:				
Teachers	41,635	39,235	39,150	(85)
Educational assistants	19,000	12,200	12,123	(77)
Bonus Payments	1,500	1,500	1,500	-
Other salaries and wages	5,000	2,500	1,545	(955)
Certified substitute teachers	120	120	-	(120)
Non-certified substitute teachers	2,000	2,672	2,070	(602)
Social Security	4,294	3,294	3,248	(46)
State retirement	5,569	3,669	3,654	(15)
Medical insurance	6,900	5,000	4,912	(88)
Medicare	1,004	1,004	760	(244)
TCRS stab fund	1,000	1,000	-	(1,000)
Communication	500	500	276	(224)
Other Contracted Services	43,000	36,900	36,824	(76)
Instructional supplies/materials	750	750	-	(750)
Other supplies	750	750	871	121
Other equipment	500	500	-	(500)
Other Charges	500	500	-	(500)
	<u>134,022</u>	<u>112,094</u>	<u>106,933</u>	<u>(5,161)</u>
Special education program:				
Teachers	690,195	660,074	659,521	(553)
Career Ladder	4,000	4,000	3,500	(500)
Homebound teachers	-	4,000	2,889	(1,111)
Secretary(s)	2,000	-	-	-
Aides	87,191	100,400	98,831	(1,569)
Speech pathologist	59,348	59,348	59,048	(300)
Bonus Payments	21,220	22,685	22,685	-
Other salaries and wages	18,977	18,977	8,239	(10,738)
Substitute teachers	1,500	1,500	140	(1,360)
Non-certified substitute teachers	8,000	18,800	17,820	(980)
Social Security	55,399	49,249	49,646	397
State retirement	88,132	88,582	80,050	(8,532)
Medical insurance	96,220	77,520	72,642	(4,878)
Medicare	12,956	13,031	11,611	(1,420)
TCRS stab fund	2,898	2,898	-	(2,898)
Maintenance and repair - equipment	750	750	-	(750)
Evaluation and Testing	3,700	3,700	3,396	(304)

*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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Licenses	-	100	99	(1)
Instructional supplies/materials	4,000	6,730	2,900	(3,830)
Other supplies and materials	2,500	2,500	687	(1,813)
Travel	-	100	29	(71)
Special education equipment	5,000	5,000	-	(5,000)
Other equipment	-	1,500	988	(512)
	<u>1,163,986</u>	<u>1,141,444</u>	<u>1,094,721</u>	<u>(46,723)</u>
Vocational education program:				
Teachers	277,000	269,500	269,464	(36)
Career Ladder	1,800	1,800	1,800	-
Salary Supplements	5,600	5,601	5,600	(1)
Bonus Payments	7,200	7,200	6,340	(860)
Substitute teachers	560	560	-	(560)
Non-certified substitute teachers	6,000	4,000	3,480	(520)
Social Security	16,986	14,286	14,240	(46)
State retirement	29,497	23,647	23,294	(353)
Medical insurance	30,000	27,500	27,429	(71)
Medicare	4,323	4,323	3,844	(479)
TCRS stab fund	-	1,850	-	(1,850)
Laundry service	400	400	194	(206)
Licenses	250	250	-	(250)
Maintenance and repair	-	750	734	(16)
Travel	5,322	422	378	(44)
Other contracted services	75,000	76,145	72,319	(3,826)
Other supplies and materials	-	150	-	(150)
Vocational instruction equipment	26,250	23,900	21,857	(2,043)
Instructional supplies	<u>17,500</u>	<u>30,755</u>	<u>20,104</u>	<u>(10,651)</u>
	<u>503,688</u>	<u>493,039</u>	<u>471,077</u>	<u>(21,962)</u>
<b>Total instruction</b>	<b><u>9,403,759</u></b>	<b><u>9,429,458</u></b>	<b><u>9,268,853</u></b>	<b><u>(160,605)</u></b>
<b>Support Services:</b>				
Attendance:				
Director	19,700	19,700	19,689	(11)
Social workers	94,510	112,373	112,088	(285)
Temporary person	-	300	120	(180)
Bonus payments	2,025	2,925	2,925	-
Social security	6,707	7,840	7,316	(524)
State retirement	12,356	14,299	14,319	20

*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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Medical insurance	16,410	16,410	16,255	(155)
Medicare	1,685	1,950	1,711	(239)
Dues and memberships	200	200	62	(138)
Licenses	11,849	11,849	5,599	(6,250)
Printing and postage	250	250	261	11
Printing, stationery, and forms	50	50	-	(50)
Travel	600	600	38	(562)
Other supplies and materials	400	400	268	(132)
In-service/staff development	3,700	3,700	2,853	(847)
Other charges	1,400	1,400	222	(1,178)
Equipment	500	500	353	(147)
	<u>172,342</u>	<u>194,746</u>	<u>184,079</u>	<u>(10,667)</u>
Health Services:				
Supervisor/director	53,680	49,044	49,044	-
Medical personnel	126,800	128,726	128,725	(1)
Other salaries and wages	20,160	20,160	20,160	-
Clerical personnel	57,744	57,744	57,070	(674)
Temporary person	-	250	35	(215)
Bonus payments	5,600	5,600	5,550	(50)
Social security	15,867	15,867	14,370	(1,497)
State retirement	21,206	25,842	19,239	(6,603)
Medical insurance	36,090	36,090	36,418	328
Medicare	3,828	3,828	3,361	(467)
TCRS stab fund	900	900	-	(900)
Dues and memberships	400	400	392	(8)
Licenses	1,500	1,500	1,500	-
Postage	200	200	198	(2)
Printing, stationery and forms	150	150	133	(17)
Travel	910	910	364	(546)
Other contracted services	150	2,150	1,308	(842)
Drugs and medical supplies	1,800	1,800	2,843	1,043
Office supplies	100	100	-	(100)
Other supplies/materials	3,150	1,600	557	(1,043)
In-service/staff development	2,000	2,450	2,378	(72)
Health equipment	3,000	3,000	4,469	1,469
Other equipment	600	600	494	(106)
	<u>355,835</u>	<u>358,911</u>	<u>348,608</u>	<u>(10,303)</u>
Other student support:				
Supervisor/director	19,022	19,023	19,022	(1)

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**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
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CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Fiscal Year Then Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Career Ladder	4,400	4,400	4,297	(103)
Guidance personnel	323,614	323,614	323,443	(171)
Temporary personnel	1,000	1,000	60	(940)
Salary supplements	-	7,950	7,950	-
Bonus payments	7,030	7,030	7,015	(15)
Social Security	20,014	20,467	16,529	(3,938)
State retirement	30,992	31,467	31,459	(8)
Medical insurance	21,450	21,450	25,045	3,595
Medicare	5,148	5,254	4,758	(496)
Contracts with Governmental Agencies	-	102,335	90,444	(11,891)
Dues and memberships	450	450	195	(255)
Evaluation/testing	20,700	20,700	21,668	968
Travel	9,550	3,750	2,240	(1,510)
Other contracted services	110,700	8,900	6,718	(2,182)
Food supplies	300	300	118	(182)
Other supplies and materials	1,100	6,800	3,373	(3,427)
In-service/staff development	9,215	96,752	47,734	(49,018)
Other equipment	-	7,789	11,791	4,002
Other charges	20,000	18,000	15,698	(2,302)
	<u>604,685</u>	<u>707,431</u>	<u>639,557</u>	<u>(67,874)</u>
Regular education program:				
Director	240,000	240,000	239,978	(22)
Career Ladder	1,600	1,923	1,923	-
Psychological personnel	15,300	15,300	15,300	-
Librarian(s)	184,500	180,500	179,032	(1,468)
Salary supplements	30,905	40,905	36,928	(3,977)
Clerical personnel	37,171	37,971	37,960	(11)
Aides	52,150	36,474	34,834	(1,640)
Temporary personnel	720	720	300	(420)
Bonus payment	11,555	10,955	10,955	-
Other salaries and wages	-	525	525	-
Certified substitute teachers	420	420	-	(420)
Non-certified substitute teachers	800	1,560	1,500	(60)
Social Security	35,658	34,996	30,538	(4,458)
State retirement	55,821	55,117	50,151	(4,966)
Life Insurance	7,200	7,200	6,299	(901)
Medical insurance	107,970	107,970	106,438	(1,532)
Disability Insurance	28,000	25,000	23,302	(1,698)
Medicare	8,339	8,184	7,612	(572)

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**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
TCRS stab fund	1,010	1,790	-	(1,790)
Advertising	250	250	1,000	750
Dues and memberships	1,100	1,100	1,255	155
Licenses	4,600	4,600	11,161	6,561
Travel	300	300	-	(300)
Other contracted services	125	1,745	1,708	(37)
Library books	15,450	15,450	15,305	(145)
Office supplies	100	100	-	(100)
Other supplies and materials	2,800	2,261	923	(1,338)
In-service/staff development	20,450	17,921	16,932	(989)
Other charges	5,500	300	122	(178)
Other equipment	3,800	3,080	4,578	1,498
	<u>873,594</u>	<u>854,617</u>	<u>836,559</u>	<u>(18,058)</u>
Alternative instruction program:				
Director	11,814	11,814	11,814	-
Bonus Payments	135	135	135	-
Social Security	741	741	677	(64)
State retirement	1,270	1,270	1,270	-
Medical insurance	1,050	1,050	1,018	(32)
Medicare	173	173	158	(15)
Postal charges	50	50	-	(50)
Printing, stationery and forms	200	200	-	(200)
Other supplies and materials	500	500	345	(155)
Inservice/staff development	800	800	1,070	270
Travel	350	350	42	(308)
Office supplies	200	200	96	(104)
	<u>17,283</u>	<u>17,283</u>	<u>16,625</u>	<u>(658)</u>
Special education program:				
Director	57,066	57,067	57,066	(1)
Psychologist payroll	35,700	35,700	35,700	-
Secretary(s)	500	500	-	(500)
Social workers	-	28,952	28,952	-
Salary Supplements	11,895	14,536	14,536	-
Bonus Payments	1,095	1,305	1,305	-
Social Security	6,588	8,393	7,824	(569)
State retirement	14,242	17,337	13,315	(4,022)
Medical insurance	7,300	10,800	10,892	92
Medicare	1,541	1,963	1,830	(133)
TCRS stab fund	800	800	-	(800)

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**MILAN SPECIAL SCHOOL DISTRICT  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Dues and memberships	665	665	699	34
Operating lease	2,500	2,500	2,444	(56)
Travel	250	250	-	(250)
Other contracted services	35,000	5,000	1,960	(3,040)
Food supplies	200	200	-	(200)
Other Charges	1,000	1,000	50	(950)
Furniture and fixtures	-	300	375	75
Other Equipment	3,000	3,000	2,970	(30)
In-service/staff development	2,000	2,800	2,868	68
Other supplies/materials	4,500	4,500	2,863	(1,637)
	<u>185,842</u>	<u>197,568</u>	<u>185,649</u>	<u>(11,919)</u>
Vocational education program:				
Director	76,029	76,029	76,029	-
Salary supplement	-	2,970	-	(2,970)
Bonus Payments	900	975	975	-
Social security	4,770	4,944	4,482	(462)
State retirement	8,178	8,494	8,186	(308)
Medical insurance	6,800	6,800	6,009	(791)
Medicare	507	547	1,048	501
Advertising	-	128	128	-
Dues and Memberships	300	300	200	(100)
Postal charges	100	100	-	(100)
Travel	500	500	160	(340)
Other supplies/materials	100	600	-	(600)
In-service/staff development	1,000	2,600	2,261	(339)
Other charges	100	500	100	(400)
Office Supplies	500	298	316	18
	<u>99,784</u>	<u>105,785</u>	<u>99,894</u>	<u>(5,891)</u>
Technology services:				
Supervisor/Director	62,410	63,210	63,210	-
Temporary personnel	-	7,200	7,110	(90)
Bonus payments	2,100	2,700	2,500	(200)
Other salaries	65,850	66,926	65,982	(944)
Non-certified substitute teachers	240	240	-	(240)
Social security	7,582	8,244	7,738	(506)
State retirement	8,591	9,295	7,620	(1,675)
Medical insurance	21,500	17,500	16,252	(1,248)
Medicare	62,740	2,045	1,810	(235)

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**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Licenses	-	60,850	31,833	(29,017)
Maintenance and repair	4,000	4,000	4,080	80
Other contracted services	42,000	42,000	83,880	41,880
Data processing	1,000	1,000	83	(917)
Cabling	2,500	2,500	480	(2,020)
Software	1,500	1,500	1,205	(295)
Other supplies and materials	6,000	6,000	2,360	(3,640)
In-service/staff development	500	500	375	(125)
Other charges	500	500	-	(500)
Administration equipment	12,000	57,000	53,232	(3,768)
	<u>301,013</u>	<u>353,210</u>	<u>349,750</u>	<u>(3,460)</u>
Board of Education services:				
Secretary to Board	1,726	1,726	1,726	-
Social Security	107	107	85	(22)
State retirement	114	114	114	-
Medical insurance	9,800	17,270	13,637	(3,633)
Unemployment compensation	21,000	15,490	11,467	(4,023)
Medicare	25	25	20	(5)
Advertising	1,500	1,500	2,793	1,293
Audit services	34,200	34,200	33,780	(420)
Dues and memberships	4,550	4,550	4,700	150
Legal services	12,000	12,000	9,096	(2,904)
Postal Charges	150	150	37	(113)
Printing, stationery, and forms	500	500	235	(265)
Travel	250	250	47	(203)
Other contracted services	13,000	11,900	11,268	(632)
Food supplies	8,000	8,000	4,567	(3,433)
Office supplies	300	300	219	(81)
Other supplies and materials	200	200	35	(165)
Liability insurance	24,000	24,000	24,389	389
Premium on surety bond	1,300	1,300	1,244	(56)
Trustee commissions	83,000	106,000	103,026	(2,974)
Workmen's compensation insurance	80,000	72,600	72,527	(73)
In-service/staff development	15,000	15,000	11,339	(3,661)
Criminal investigation of applicant	3,315	3,315	481	(2,834)
Other charges	3,000	3,000	2,624	(376)
Administrative equipment	-	1,100	1,031	(69)
	<u>317,037</u>	<u>334,597</u>	<u>310,487</u>	<u>(24,110)</u>

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**MILAN SPECIAL SCHOOL DISTRICT  
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STATEMENT OF REVENUES, EXPENDITURES AND  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Office of the Director of Schools:				
County official/administrative officer	110,836	110,836	110,536	(300)
Career Ladder	1,000	2,000	2,000	-
Secretary(ies)	40,560	40,560	40,352	(208)
Bonus Payments	2,450	2,450	2,450	-
Social Security	9,600	9,600	8,332	(1,268)
State retirement	14,822	14,822	14,820	(2)
Medical insurance	17,500	17,500	17,289	(211)
Medicare	2,245	2,245	1,948	(297)
Advertising	950	950	474	(476)
Communication	4,800	4,800	4,685	(115)
Dues and memberships	5,618	5,618	5,726	108
Operating lease payments	20,000	20,000	23,470	3,470
Postal charges	2,000	2,000	1,751	(249)
Printing, stationery and forms	400	400	289	(111)
Travel	1,000	1,000	735	(265)
Food supplies	1,000	1,000	795	(205)
Office supplies	4,000	4,000	2,331	(1,669)
Other supplies and materials	400	400	24	(376)
In-service/staff development	9,000	9,000	7,915	(1,085)
Other charges	3,600	3,600	2,928	(672)
	<u>251,781</u>	<u>252,781</u>	<u>248,850</u>	<u>(3,931)</u>
Office of the Principal:				
Principals	261,720	262,105	262,103	(2)
Career Ladder	2,000	2,000	2,000	-
Accountants/Bookkeepers	75,730	75,730	75,727	(3)
Assistant(s)	227,300	227,300	227,278	(22)
Secretary(s)	191,858	191,858	189,820	(2,038)
Temporary personnel	2,000	2,100	2,037	(63)
Bonus payments	16,570	16,570	16,490	(80)
Social security	46,185	46,185	43,094	(3,091)
State retirement	70,223	70,223	70,306	83
Medical insurance	78,140	78,140	76,091	(2,049)
Medicare	11,269	11,269	10,079	(1,190)
Communication	18,800	18,800	18,373	(427)
Dues and memberships	300	300	-	(300)

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**MILAN SPECIAL SCHOOL DISTRICT  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Postal charges	5,100	5,100	5,100	-
Travel	1,500	1,500	715	(785)
Office supplies	2,010	2,010	1,985	(25)
Other charges	7,050	7,050	7,070	20
Administration equipment	700	700	-	(700)
	<u>1,018,455</u>	<u>1,018,940</u>	<u>1,008,268</u>	<u>(10,672)</u>
Fiscal services:				
Director	66,502	66,502	66,302	(200)
Accountants/bookkeepers	83,158	83,158	76,328	(6,830)
Bonus payments	3,850	3,850	3,850	-
Social security	9,518	9,518	7,665	(1,853)
State retirement	10,116	10,116	9,661	(455)
Medical insurance	23,000	23,000	20,935	(2,065)
Medicare	2,226	2,226	1,793	(433)
Dues and memberships	100	100	499	399
Licenses	13,000	13,000	12,593	(407)
Printing, stationery and forms	2,000	2,000	2,470	470
Travel	100	100	-	(100)
Data processing supplies	200	200	-	(200)
Office supplies	400	400	259	(141)
In-service/staff development	3,500	3,500	2,603	(897)
Other charges	150	150	-	(150)
Equipment	750	750	1,206	456
	<u>218,570</u>	<u>218,570</u>	<u>206,164</u>	<u>(12,406)</u>
Human services/personnel:				
Supervisor/director	55,000	55,000	53,815	(1,185)
Bonus payments	2,600	2,600	1,450	(1,150)
Other salaries & wages	1,000	5,956	4,955	(1,001)
Social security	3,633	3,633	2,616	(1,017)
State retirement	3,862	3,862	3,650	(212)
Medical insurance	5,000	9,600	9,470	(130)
Medicare	850	850	684	(166)
Advertising	300	300	128	(172)
Dues and memberships	500	500	429	(71)
Licenses	6,500	6,500	6,000	(500)
Postal charges	50	50	7	(43)
Printing, stationery, and forms	300	300	-	(300)
Travel	500	500	11	(489)
Other contracted services	-	10,000	14,524	4,524

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**MILAN SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Food supplies	200	200	-	(200)
Office supplies	200	200	333	133
Periodicals	100	100	-	(100)
Other supplies and materials	1,000	1,000	179	(821)
In-service/staff development	1,000	1,000	777	(223)
Other charges	1,000	1,000	403	(597)
Equipment	800	800	860	60
	<u>84,395</u>	<u>103,951</u>	<u>100,291</u>	<u>(3,660)</u>
Operation and maintenance of plant:				
Operation of plant:				
Janitorial services	326,990	326,990	328,938	1,948
Disposal fees	47,061	47,061	45,623	(1,438)
Custodial supplies	200	200	-	(200)
Electricity	255,748	255,748	291,599	35,851
Natural gas	78,800	72,800	32,844	(39,956)
Propane gas	-	6,000	3,774	(2,226)
Water and sewer	42,000	42,000	36,556	(5,444)
Boiler insurance	4,100	4,100	3,980	(120)
Building and contents insurance	70,000	70,000	72,521	2,521
	<u>824,899</u>	<u>824,899</u>	<u>815,835</u>	<u>(9,064)</u>
Maintenance of plant:				
Director	51,827	51,827	51,627	(200)
Salary Supplements	-	15,000	15,000	-
Maintenance personnel	74,048	74,408	72,237	(2,171)
Bonus payments	2,500	2,500	2,500	-
Other salaries and wages	8,000	8,000	7,995	(5)
Social Security	8,455	8,455	8,598	143
State retirement	8,987	8,987	9,895	908
Medical insurance	10,000	10,000	11,065	1,065
Medicare	1,977	1,977	2,011	34
Advertising	300	300	705	405
Communication	500	500	196	(304)
Contracts with Government Agencies	7,300	7,300	7,300	-
Dues and Memberships	200	200	-	(200)
Rentals	1,200	1,200	-	(1,200)
Permits	200	200	400	200
Maintenance and repair - building	36,000	36,000	26,946	(9,054)
Maintenance and repair - equipment	33,900	33,900	44,843	10,943

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**MILAN SPECIAL SCHOOL DISTRICT  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Pest control	3,000	3,000	2,760	(240)
Other contracted services	69,000	69,000	70,632	1,632
Maintenance and repair - service	2,000	2,000	1,146	(854)
Equipment and machinery parts	10,000	10,000	-	(10,000)
General construction materials	5,000	5,000	898	(4,102)
Office supplies	200	200	-	(200)
Other supplies and materials	31,500	31,500	27,258	(4,242)
In-service/staff development	500	500	-	(500)
Other charges	100	100	-	(100)
Administration equipment	500	6,120	5,620	(500)
Maintenance equipment	3,500	3,500	4,350	850
	<u>370,694</u>	<u>391,674</u>	<u>373,982</u>	<u>(17,692)</u>
Total operation and maintenance of plant	<u>1,195,593</u>	<u>1,216,573</u>	<u>1,189,817</u>	<u>(26,756)</u>
Student transportation:				
Director	39,380	39,380	39,379	(1)
Bus drivers	156,300	156,300	154,066	(2,234)
Clerical personnel	20,000	20,000	19,236	(764)
Bonus payments	15,100	15,100	9,437	(5,663)
Other salaries and wages	120,000	130,425	118,849	(11,576)
Social Security	23,400	24,008	19,184	(4,824)
State retirement	24,707	18,667	16,445	(2,222)
Medical insurance	3,500	3,500	3,395	(105)
Medicare	5,086	5,232	4,781	(451)
Advertising	100	100	-	(100)
Communication	500	500	-	(500)
Contracts with other school systems	63,000	63,000	72,181	9,181
Contracts with vehicle owners	14,000	14,000	12,195	(1,805)
Maintenance and repair - equipment	1,500	1,500	1,373	(127)
Maintenance and repair - vehicle	6,000	8,031	3,107	(4,924)
Medical and dental services	1,500	1,500	985	(515)
Printing, stationary and forms	700	700	375	(325)
Rentals	1,200	1,200	1,100	(100)
Travel	200	200	127	(73)
Permits	3,000	3,000	3,465	465
Other contracted services	3,000	3,000	2,210	(790)
Diesel fuel	47,000	38,492	30,612	(7,880)
Food supplies	500	500	147	(353)
Gasoline	8,000	8,000	3,825	(4,175)

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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Other supplies and materials	1,000	1,000	656	(344)
Vehicle and equipment insurance	22,900	22,900	22,391	(509)
In-service/staff development	1,500	1,500	720	(780)
Other charges	500	500	496	(4)
Transportation equipment	2,000	2,000	3,300	1,300
	<u>585,573</u>	<u>584,235</u>	<u>544,037</u>	<u>(40,198)</u>
<b>Total support services</b>	<b><u>6,281,782</u></b>	<b><u>6,519,198</u></b>	<b><u>6,268,635</u></b>	<b><u>(250,563)</u></b>
<b>Non-Instructional Services:</b>				
Community Service				
Other salaries & wages	74,074	74,074	68,273	(5,801)
Social Security	4,593	4,593	3,351	(1,242)
State retirement	6,385	6,385	6,133	(252)
Medical insurance	20,356	20,356	20,232	(124)
Medicare	1,074	1,074	784	(290)
	<u>106,482</u>	<u>106,482</u>	<u>98,773</u>	<u>(7,709)</u>
Early Childhood Education				
Supervisor/director	27,034	56,320	56,320	-
Teachers	212,900	213,235	213,235	-
Social workers	-	5,170	5,170	-
Clerical personnel	5,520	5,520	5,520	-
Educational assistants	130,190	121,522	121,522	-
Bonus Payments	12,500	8,468	8,468	-
Substitute teachers	630	60	60	-
Non-certified substitute teachers	1,600	5,250	5,070	(180)
Social Security	23,703	24,109	23,763	(346)
State retirement	34,464	35,549	33,222	(2,327)
Medical insurance	59,582	38,598	39,529	931
Medicare	6,868	5,639	5,559	(80)
Advertising	450	600	600	-
Dues and memberships	200	109	109	-
Licenses	270	985	985	-
Travel	500	238	238	-
Other contracted services	6,000	-	-	-
Food supplies	2,000	1,711	1,711	-
Instructional supplies and materials	7,529	12,417	12,374	(43)

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**MILAN SPECIAL SCHOOL DISTRICT  
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	Original Budget	Final Budget	Actual	Variance- Over (Under)
Other supplies and materials	3,500	6,293	5,970	(323)
In-service/staff development	2,800	1,117	1,117	-
Other charges	100	-	-	-
Other equipment	2,193	17,190	16,755	(435)
	<u>540,533</u>	<u>560,100</u>	<u>557,297</u>	<u>(2,803)</u>
<b>Capital outlay:</b>				
Architects	-	200,776	200,776	-
Excess risk insurance	-	2,949	2,949	-
Plant operation	-	75,000	68,445	(6,555)
Heating and air	-	737,100	542,300	(194,800)
Other capital outlay	35,000	557,353	665,566	108,213
	<u>35,000</u>	<u>1,573,178</u>	<u>1,480,036</u>	<u>(93,142)</u>
<b>Debt service:</b>				
Principal on bonds	925,000	925,000	925,000	-
Interest on bonds	108,650	160,312	160,312	-
Principal on notes	158,808	158,808	158,808	-
Interest on notes	18,828	18,828	18,828	-
Other debt service	2,500	2,500	950	(1,550)
	<u>1,213,786</u>	<u>1,265,448</u>	<u>1,263,898</u>	<u>(1,550)</u>
<b>Total non-instructional services</b>	<u>1,895,801</u>	<u>3,505,208</u>	<u>3,400,004</u>	<u>(105,204)</u>
<b>Total expenditures</b>	<u>17,581,342</u>	<u>19,453,864</u>	<u>18,937,492</u>	<u>(516,372)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(156,286)</b>	<b>(1,808,232)</b>	<b>295,162</b>	<b>2,103,394</b>
<b>Other financing sources (uses)</b>				
Proceeds on issuance of bonds	-	1,280,712	1,280,712	-
<b>Net changes in fund balance</b>	<b><u>\$ (156,286)</u></b>	<b><u>\$ (527,520)</u></b>	<b><u>\$ 1,575,874</u></b>	<b><u>\$ 2,103,394</u></b>
Fund balance - beginning			<u>3,403,134</u>	
<b>Fund balance - ending</b>			<b><u>\$ 4,979,008</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, 2020

**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)	-	-	\$ 19,232,654	\$ 1,587,022
Differences - budget to GAAP:				
Fringe benefits - noncash	-	-	<u>91,392</u>	<u>91,392</u>
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>19,324,046</u>	<u>1,678,414</u>
<b>Outflows/expenditures:</b>				
Actual amounts (budgetary basis)	-	-	18,937,492	(516,372)
Differences - budget to GAAP:				
Fringe benefits - noncash	-	-	<u>91,392</u>	<u>91,392</u>
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			<u>19,028,884</u>	<u>(424,980)</u>
<b>Net changes in fund balance</b>			<b><u>\$ 1,575,874</u></b>	<b><u>\$ 2,103,394</u></b>

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

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**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 District's 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 are 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, 2020

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. However, grant revenues are considered available if they are collected within one year 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 funds:

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.

The capital project fund is used to account for major construction or acquisition of capital assets.

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***

Receivables at year end for the District's individual major fund and non-major funds in the aggregate, are shown on the statement of net position and the balance sheet for governmental funds. As of June 30, 2020, there were no allowances for uncollectible accounts.

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 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 dollar (\$100) assessment of real and personal property located within the District. The current property tax is \$2.23 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.

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***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.

***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 inflows of resources are disclosed on pages 13 and 16.

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***Pensions and OPEB***

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense information about the fiduciary net position of the pension plans, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as the plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plans. Investments are reported at fair value.

***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.

***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



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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.

**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 are not due in the current period and, therefore, are not reported in the funds.” The details of this (\$15,835,589) are as follows:

	<u>June 30, 2020</u>
School bonds payable, Series 2015	\$ 3,545,000
School bonds payable, Series 2008	400,000
School bonds payable, Series 2019	\$ 9,890,000
Energy Efficient Schools Initiative Loan, 2018	1,796,462
Bond premium	149,143
Bond discount	(16,837)
Compensated absences	71,821
	<u>\$ 15,835,589</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 \$20,377,417 are as follows:

**MILAN SPECIAL SCHOOL DISTRICT**  
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Land	\$ 854,415
Work in progress	5,834,508
Buildings and improvements	23,947,677
Other capital assets	4,337,094
	<u>34,973,694</u>
Less accumulated depreciation	(14,596,277)
Capital assets, net of accumulated depreciation	<u>\$ 20,377,417</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**

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 \$1,083,808 are as follows:

Principal repayments:	
School bonds payable, Series 2015	\$ 825,000
School bonds payable, Series 2008	100,000
Energy Efficient Schools Initiative Loan, 2018	158,808
	<u>\$ 1,083,808</u>

Another element of that reconciliation states that “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.” The details of this \$93,625 are as follows:

Issuance of new debt:	
Bond premium	\$ (103,494)
Amortization of bond premium	14,358
Amortization of bond discount	(4,489)
	<u>9,869</u>
	<u>\$ (93,625)</u>

**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 all of the other funds annually. All annual appropriations lapse at fiscal

**MILAN SPECIAL SCHOOL DISTRICT**  
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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 in the current fiscal year.

**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, 2020, all bank deposits were fully collateralized or insured.

The following is a summary of cash and cash equivalents as of June 30, 2020.

Cash in bank	\$ 7,004,936
Unspent bond funds - restricted for capital projects	3,832,811
Local Government Investment Pool	<u>429,190</u>
Total cash and cash equivalents	<u><u>\$ 11,266,937</u></u>

**MILAN SPECIAL SCHOOL DISTRICT**  
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**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:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$ 36,237	\$ 729	\$ 36,966
Taxes	4,318,660	-	4,318,660
Intergovernmental - grants	208,768	136,842	345,610
Intergovernmental - nongrant	327,038	-	327,038
Total receivables	<u>\$ 4,890,703</u>	<u>\$ 137,571</u>	<u>\$ 5,028,274</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.

**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, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose	Federal Projects	<u>\$ 69,112</u>
Elimination for district-wide statements		<u>(69,112)</u>
		<u>\$ -</u>

**MILAN SPECIAL SCHOOL DISTRICT**  
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**D. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 854,415	\$ -	\$ -	\$ 854,415
Work in progress	754,162	5,765,725	685,379	5,834,508
	<u>1,608,577</u>	<u>5,765,725</u>	<u>685,379</u>	<u>6,688,923</u>
Capital assets being depreciated:				
Buildings and improvements	23,393,562	554,115	-	23,947,677
Other capital assets	3,697,187	639,907	-	4,337,094
	<u>27,090,749</u>	<u>1,194,022</u>	<u>-</u>	<u>28,284,771</u>
Accumulated depreciation:				
Buildings and improvements	(11,529,383)	(629,136)	-	(12,158,519)
Other capital assets	(2,265,609)	(172,149)	-	(2,437,758)
	<u>(13,794,992)</u>	<u>(801,285)</u>	<u>-</u>	<u>(14,596,277)</u>
Total capital assets being depreciated, net	<u>13,295,757</u>	<u>392,737</u>	<u>-</u>	<u>13,688,494</u>
Total capital assets, net	<u>\$ 14,904,334</u>	<u>\$ 6,158,462</u>	<u>\$ 685,379</u>	<u>\$ 20,377,417</u>

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

**Instruction:**

Regular education	\$ 5,443
Vocational education	18,044
Special education	722

**Support services:**

Operation and maintenance of plant	412,965
Student transportation	60,899

**Non-instructional services:**

Capital outlay	291,703
Food service	11,509
	<u>\$ 801,285</u>

**E. TCRS Stabilization Trust**

**Legal Provisions.** The District is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The District has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS

**MILAN SPECIAL SCHOOL DISTRICT**  
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Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the District.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The District may not impose any restrictions on investments placed by the trust on their behalf.

**Investment Balances.** Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and

**MILAN SPECIAL SCHOOL DISTRICT**  
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investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2020, the District had the following investments held by the trust on its behalf.

<u>Investment</u>	<u>Fair Value</u>
Investments at Fair Value:	
U.S. Equity	\$ 22,180
Developed Market International Equity	10,016
Emerging Market International Equity	2,862
U.S. Fixed Income	14,309
Real Estate	7,155
Short-term Securities	715
NAV - Private Equity and Strategic Lending	<u>14,309</u>
Total	<u>\$ 71,546</u>

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Investment by Fair Value Level	Fair Value 6/30/19	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity Developed Market	\$ 22,180	\$ 22,180	\$ -	\$ -	\$ -
International Equity Emerging Market	10,016	10,016	-	-	-
International Equity	2,862	2,862	-	-	-
U.S. Fixed Income	14,309	-	14,309	-	-
Real Estate	7,155	-	-	7,155	-
Short-term Securities	715	-	715	-	-
Private Equity and Strategic Lending	14,309	-	-	-	14,309
<b>Total</b>	<b>\$ 71,546</b>	<b>\$ 35,058</b>	<b>\$ 15,024</b>	<b>\$ 7,155</b>	<b>\$ 14,309</b>

**Risks and Uncertainties.** The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have the ability to limit the credit ratings of individual investments made by the trust.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. District places no limit on the amount the trust may invest in one issuer.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the



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trust agreement, investments are held in the name of the trust for the benefit of the District to pay retirement benefits of the District's employees.

For further information concerning the District's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at:

<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>

**F. Leases**

***Operating Leases***

The District has entered into a lease agreement as lessee for a copier. This lease agreement qualifies as an operating lease for accounting purposes. The lease is for a sixty-month period with the original monthly payment of \$2,165. The lease was amended in 2018, which resulted in an increased monthly payment of \$3,269. The future minimum lease payments as of June 30, 2020, were as follows:

Year Ended June 30,	
2021	\$ 39,228
2022	13,076
	<u>\$ 52,304</u>

The lease expense for the year ended June 30, 2020 was \$39,228.

**G. Long-term Debt**

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, pension, and OPEB, as of June 30, 2020 are as follows:

Years Ending June 30,	Bonds		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 950,000	\$ 325,920	\$ 160,404	\$ 17,232	\$ 1,110,404	\$ 343,152
2022	975,000	321,670	162,012	15,624	1,137,012	337,294
2023	1,000,000	299,920	163,644	13,992	1,163,644	313,912
2024	1,020,000	277,545	165,288	12,348	1,185,288	289,893
2025	290,000	254,770	166,944	10,692	456,944	265,462
2026-2030	1,570,000	1,141,288	860,232	27,948	2,430,232	1,169,236
2031-2035	1,770,000	942,347	117,938	424	1,887,938	942,771
2036-2040	1,980,000	731,776	-	-	1,980,000	731,776
2041-2045	2,250,000	466,300	-	-	2,250,000	466,300
2046-2049	2,030,000	140,800	-	-	2,030,000	140,800
	<u>\$ 13,835,000</u>	<u>\$ 4,902,336</u>	<u>\$ 1,796,462</u>	<u>\$ 98,260</u>	<u>\$ 15,631,462</u>	<u>\$ 5,000,596</u>

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The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds Payable:					
School Bonds, Series 2008	\$ 500,000	\$ -	\$ 100,000	\$ 400,000	\$ 100,000
School Bonds, Series 2015	4,370,000	-	825,000	3,545,000	850,000
School Bonds, Series 2019	-	9,890,000	-	9,890,000	-
Bond discount	(21,326)	-	(4,489)	(16,837)	(4,489)
Bond premium	60,007	103,494	14,358	149,143	16,083
Total bonds payable	<u>4,908,681</u>	<u>9,993,494</u>	<u>934,869</u>	<u>13,967,306</u>	<u>961,594</u>
Notes from Direct Borrowings					
Energy Efficient Schools Initiative Loan, 2018	<u>1,955,270</u>	<u>-</u>	<u>158,808</u>	<u>1,796,462</u>	<u>160,404</u>
Total notes from direct borrowings	<u>1,955,270</u>	<u>-</u>	<u>158,808</u>	<u>1,796,462</u>	<u>160,404</u>
Compensated absences	<u>71,821</u>	<u>-</u>	<u>-</u>	<u>71,821</u>	<u>23,940</u>
Total long-term liabilities	<u>\$ 6,935,772</u>	<u>\$ 9,993,494</u>	<u>\$ 1,093,677</u>	<u>\$ 15,835,589</u>	<u>\$ 1,145,938</u>

The General Fund is used to liquidate compensated absences.

The District's outstanding notes from direct borrowings and direct placements of \$1,796,462 contain a provision that in an event of default, the lender has the option to make the outstanding amounts become immediately due if the District is unable to make payment.

During the year ended June 30, 2009, the District issued \$1,760,000 School Refunding and Improvement Bonds, Series 2008, maturing April 1, 2024, with interest rates ranging from 3.00% to 4.375%. The Bonds were issued to provide funds to refund a portion of the School Refunding Bonds, Series 1997, to finance the cost of construction and improvements of school buildings and facilities, and to pay costs of issuance. The refunded bonds are considered defeased and the liability has been removed from the statement of net position. The defeased bonds were retired April 1, 2014.

During 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 bonds bear annual interest rates ranging from 3.75% to 4.10%.

During fiscal year ended June 30, 2018, the District entered into the Energy Efficient Schools Initiative Loan agreement to fund their Energy Efficiency Project for a principal amount of \$1,997,513 plus accrued interest during the construction phase. The loan balance was fully drawn down during fiscal year 2019, and the accrued interest of \$10,341 was added to the original principal balance of the loan, resulting in a total balance of \$2,007,854 to be paid during a period of twelve (12) years, at 1% interest rate. The loan matures in February 2031.

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During the year ended June 30, 2020, the District issued Limited Tax School Bonds, Series 2019, in the amount of \$9,890,000, maturing March 1, 2049. The bonds were issued to finance the cost of construction and improvements of school buildings and facilities. The bonds' coupon rate varies from 2.15% to 3.00%. Interest payments are due semi-annually, starting on March 1, 2020. Principal payments are due annually, starting on March 1, 2025.

**NOTE 5 – OTHER INFORMATION**

**A. Pensions**

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

**Plan description**

The Tennessee Consolidated Retirement System (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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Milan Special School District with membership in the TCRS before July 1, 2014 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.

**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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if 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 2<sup>nd</sup> 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

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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 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 the District for the year ended June 30, 2020 to the Teacher Legacy Pension Plan were \$737,673 which is 10.63 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 (assets)**

At June 30, 2020, the Milan Special School District reported an asset of \$2,136,460 for its proportionate share of net pension asset. The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, the District's proportion was 0.207790 percent. The proportion measured as of June 30, 2018 was 0.207298 percent.

**Pension expense**

For the year ended June 30, 2020, Milan Special School District recognized pension expense of \$268,167.

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

For the year ended June 30, 2020, 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	\$ 104,019	\$ 1,304,992
Changes in assumptions	287,899	-
Net difference between projected and actual earnings on pension plan investments	-	610,428
Changes in proportion of Net Pension Liability (Asset)	36,394	52,327
Contributions subsequent to the measurement date of June 30, 2019	737,673	-
Total	<u>\$ 1,165,985</u>	<u>\$ 1,967,747</u>

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Milan Special School District employer contributions of \$737,673, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2021. Other 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>	
2021	\$ (452,875)
2022	(614,698)
2023	(269,132)
2024	(202,731)
2025	-
Thereafter	-

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

***Actuarial assumptions***

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

**Discount rate**

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

**Sensitivity of the proportionate share of net pension liability (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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Milan Special School District's proportionate share of the net pension liability (asset)	\$ 4,368,443	\$ (2,136,460)	\$ (7,310,930)

**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, 2020, 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, 2020.

**MILAN SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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***II. Teacher Retirement Plan of Tennessee Consolidated Retirement System***

**Plan description**

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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Milan Special School District with memberships in TCRS before July 1, 2014 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.

Teacher Retirement Plan is also known as the Hybrid Retirement Plan for State Employees and Teachers, or the "Hybrid Plan". There are two components to the Hybrid Plan, a defined benefit component and a defined contribution component. Details of each component are described below:

***a. Defined Benefit Component of the Hybrid Plan***

**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 with an unreduced benefit 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. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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**Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established 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 by the District for the year ended June 30, 2020 to the Teacher Retirement Plan were \$36,717 which is 2.03 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 (assets)**

At June 30, 2020, the District reported a liability (asset) of (\$83,188) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019, the District's proportion was 0.147369 percent. The proportion measured as of June 30, 2018 was 0.124421 percent.

**Pension expense**

For the year ended June 30, 2020, Milan Special School District recognized pension expense of \$26,091.

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

For the year ended June 30, 2020, 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	\$ 3,449	\$ 14,522
Net difference between projected and actual earnings on pension plan investments	-	3,517
Changes in assumptions	2,890	-
Changes in proportion of Net Pension Liability (Asset)	8,606	9,679
Contributions subsequent to the measurement date of June 30, 2019	<u>36,717</u>	<u>-</u>
Total	<u>\$ 51,662</u>	<u>\$ 27,718</u>



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Milan Special School District's employer contributions of \$36,717, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2021. 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><b>Year Ended June 30:</b></u>	
2021	\$ (1,779)
2022	(2,317)
2023	(1,331)
2024	(828)
2025	(685)
Thereafter	(5,832)

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building- block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

**Discount rate**

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

**Sensitivity of the proportionate share of net pension liability (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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Milan Special School District's proportionate share of the net pension liability (asset)	\$ 26,357	\$ (83,188)	\$ (164,162)

**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, 2020, 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, 2020.

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***b. Defined Contribution Component of the Hybrid Plan***

Upon first becoming a public school teacher in the Hybrid Plan, 2% of the employee's compensation will be deferred automatically into the defined contribution component of the Hybrid Plan unless the employee makes an affirmative election not to contribute. The District will make a contribution to the defined contribution component of the plan on behalf of each member which equals to 5% of the member's compensation, regardless of whether the member makes any employee contribution. The 5% employer contribution rate is established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees immediately vest in the employee and employer contributions to the defined contribution portion of the Hybrid Plan, and therefore there are no forfeitures necessary. There are no assets accumulating in a trust.

During the fiscal year 2020, the District contributed a total of \$88,149 in the defined contribution portion of the Hybrid Plan. There were no forfeitures during the year ended June 30, 2020. At June 30, 2020, 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, 2020.

***III. 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**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 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.

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**Employees Covered by Benefit Terms**

At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employs entitled to but not yet receiving benefits	75
Active employees	99
	<hr/>
	215
	<hr/>

**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, 2020, the employer contributions for Milan Special School District were \$155,161 based on a rate of 6.59% 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 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, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method

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in which a best- estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best- estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best- estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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.

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at 6/30/18</b>	\$ 6,332,864	\$ 6,421,251	\$ (88,387)
<b>Changes for the year:</b>			
Service cost	216,966	-	216,966
Interest	466,382	-	466,382
Differences between expected and actual experience	(111,402)	-	(111,402)
Changes in assumptions	-	-	-
Contributions- employer	-	138,240	(138,240)
Contributions- employees	-	111,334	(111,334)
Net investment income	-	478,386	(478,386)
Benefit payments, including refunds of employee contributions	(233,950)	(233,950)	-
Administrative expense	-	(8,595)	8,595
Other changes	-	-	-
<b>Net changes</b>	<u>337,996</u>	<u>485,415</u>	<u>(147,419)</u>
<b>Balance at 6/30/19</b>	<u>\$ 6,670,860</u>	<u>\$ 6,906,666</u>	<u>\$ (235,806)</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 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Milan Special School District's net pension liability (asset)	\$ 646,591	\$ (235,806)	\$ (973,468)

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

**Pension Expense**

For the year ended June 30, 2020, Milan Special School District recognized pension expense of \$126,631.

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

For the year ended June 30, 2020, Milan Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 183,809	\$ 206,120
Net difference between projected and actual earnings on pension plan investments	-	79,239
Changes in assumptions	54,737	-
Contributions subsequent to the measurement date of June 30, 2019	<u>155,161</u>	<u>-</u>
Total	<u>\$ 393,707</u>	<u>\$ 285,359</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2019" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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>	
2021	\$ (30,729)
2022	(17,991)
2023	26,704
2024	(24,798)
2025	-
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, 2020, 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, 2020.

**IV. Total Pension Expense**

For the fiscal year ended June 30, 2020, the District recognized total expense of \$420,889 for all pension plans

**B. Postemployment Healthcare Plan**

**I. Closed Teacher Group OPEB Plan**

**Plan Description**

Employees of Milan Special School District, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a

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single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

***Benefits Provided***

The District offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The District provides a direct subsidy for eligible retirees' premiums based on the length of service. Retirees with over 30 years of employment with the District are eligible for 55% health insurance direct subsidy; retirees with 20-29 years of employment 35%; and retirees with 10-19 years of employment 25%. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

***Employees covered by benefit terms***

At July 1, 2019, the following employees of Milan Special School District were covered by the benefit terms of the TGOP:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	-
Active employees	218
	<u>237</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the District paid \$222,401 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

***Actuarial assumptions***

The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:



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Inflation	2.20 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rate	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

***Discount rate***

The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

***Changes in assumptions***

The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability

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***Changes in Collective Total OPEB Liability***

	<b>Total OPEB liability</b>
<b>Balance at June 30, 2018</b>	<b>\$ 4,540,564</b>
Changes for the year	
Service cost	273,451
Interest	169,530
Changes of benefit terms	-
Differences between expected and actual experience	1,736,654
Changes of assumptions	(421,465)
Benefit payments	(264,104)
Net change	1,494,066
<b>Balance at June 30, 2019</b>	<b>\$ 6,034,630</b>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	<b>\$ 1,233,003</b>
<b>Employer's proportionate share of the collective total OPEB</b>	<b>\$ 4,801,627</b>
<b>Employer's proportion of the collective total OPEB liability</b>	<b>79.57%</b>

The District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. District's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.08% from the prior measurement date. The District recognized \$89,315 thousand in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for the District retirees.

***Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate***

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease (2.51%)</b>	<b>Current Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
Proportionate share of collective total OPEB liability	\$ 5,148,136	\$ 4,801,627	\$ 4,471,779

***Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate***

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

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	1% Decrease (5.03%/4.20% decreasing to 3.50%)	Healthcare Cost Trend Rates (6.03%/5.20% decreasing to 4.5%)	1% Increase (7.03%/6.20% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 4,303,199	\$ 4,801,627	\$ 5,388,566

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

***OPEB expense***

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$608,612.

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

For the fiscal year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,394,350	\$ -
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	294,284	-
Changes in assumptions	111,848	391,086
Employer payments subsequent to the measurement date	222,401	-
Total	<u>\$ 2,022,883</u>	<u>\$ 391,086</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

<u>Year Ended June 30:</u>	
2021	\$ 166,827
2022	166,827
2023	166,827
2024	166,827
2025	166,827
Thereafter	575,261

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

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**II. Closed Tennessee Plan**

**Plan description**

Employees of the District, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided**

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The District does not directly subsidize for post-65 retiree insurance coverage. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms**

At July 1, 2019, the following employees of the District were covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	24
Active employees	154
	<hr/>
	231
	<hr/>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the District did not make any payments to the TNP for OPEB benefits.

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**Total OPEB Liability**

***Actuarial assumptions***

The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Retiree's share of benefit-related costs	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

***Discount rate***

The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

***Changes in assumptions***

The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

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***Changes in Collective Total OPEB Liability***

	<b>Total OPEB liability</b>
<b>Balance at June 30, 2018</b>	<b>\$ 548,522</b>
Changes for the year	
Service cost	9,291
Interest	19,724
Changes of benefit terms	-
Differences between expected and actual experience	110,012
Changes of assumptions	8,106
Benefit payments	<u>(26,153)</u>
Net change	120,980
<b>Balance at June 30, 2019</b>	<b><u>\$ 669,502</u></b>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	<b>\$ 669,502</b>
<b>Employer's proportionate share of the collective total OPEB</b>	<b>\$ -</b>
<b>Employer's proportion of the collective total OPEB liability</b>	<b>0%</b>

The District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The District's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The District's proportion of 0% did not change from the prior measurement date. The District recognized \$29,918 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the District retired employees.

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

***OPEB expense***

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$29,918.

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

The District has no deferred outflows or inflows of resources related to the TNP.

**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 2020, the State made contributions of \$91,392.

**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

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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.

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 claim history. The District continues to carry commercial insurance for all other risks of loss, including public officials' bonds. 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. Other commitment**

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.

**G. Subsequent events**

In October 2019, the Board passed a resolution authorizing the issuance and sale of School Bonds in the principal amount not to exceed \$20,000,000 to finance the renovation of the District's properties. The District issued a \$9,890,000 Limited Tax School Bonds on December 18, 2019 and plans to issue subsequent bonds in fiscal year 2021 as needed as the renovation project progresses.

**H. Other Matter**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**



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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Milan Special School District's proportion of the net pension liability (asset)	0.212522%	0.0207384%	0.1938620%	0.2055390%	0.2072980%	0.2077900%
Milan Special School District's proportionate share of the net pension liability (asset)	\$ (34,534)	\$ 84,952	\$ 1,211,528	\$ (67,248)	\$ (729,465)	\$ (2,136,460)
Milan Special School District's covered employee payroll	\$ 8,341,483	\$ 7,763,564	\$ 6,998,005	\$ 7,265,714	\$ 7,258,914	\$ 6,967,512
Milan Special School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%	-0.93%	-10.05%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	100.49%	104.28%

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

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of *GASB 68*. This information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
TEACHER LEGACY PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution (ADC)	\$ 740,724	\$ 701,815	\$ 632,620	\$ 656,821	\$ 659,109	\$ 728,802	\$ 737,673
Contributions in relation to the actuarially determined contributions	<u>740,724</u>	<u>701,815</u>	<u>632,620</u>	<u>656,821</u>	<u>659,109</u>	<u>728,802</u>	<u>737,673</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,341,483	\$ 7,763,564	\$ 6,998,005	\$ 7,265,714	\$ 7,258,914	\$ 6,967,512	\$ 6,939,541
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of GASB 68. This information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

*See independent auditor's report.*

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Milan Special School District's proportion of the net pension liability (asset)	0.211508%	0.176814%	0.148291%	0.124421%	0.147369%
Milan Special School District's proportionate share of the net pension liability (asset)	\$ (8,509)	\$ (18,407)	\$ (39,123)	\$ (56,428)	\$ (83,188)
Milan Special School District's covered employee payroll	\$ 439,459	\$ 777,979	\$ 973,288	\$ 1,087,299	\$ 1,559,443
Milan Special School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

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

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the *implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

*See independent auditor's report.*

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>	<u>2020*</u>
Actuarially determined contribution (ADC)	\$ 10,986	\$ 19,474	\$ 38,932	\$ 17,731	\$ 30,254	\$ 36,717
Contributions in relation to the actuarially determined contributions	<u>17,578</u>	<u>31,120</u>	<u>38,932</u>	<u>43,492</u>	<u>30,254</u>	<u>36,717</u>
Contribution deficiency (excess)	<u>\$ (6,592)</u>	<u>\$ (11,646)</u>	<u>\$ -</u>	<u>\$ (25,761)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 439,459	\$ 777,979	\$ 973,288	\$ 1,087,299	\$ 1,559,443	\$ 1,808,738
Contributions as a percentage covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of *GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

\*In FY 2019, the District placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06 percent of covered payroll into the Pension Stabilization Reserve Trust. In FY 2020, the District placed the actuarially determined contribution rate (2.03%) of covered payroll into the pension plan and placed 1.97 percent of covered payroll into the Pension Stabilization Reserve Trust.

*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\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total pension liability</b>						
Service cost	\$ 163,039	\$ 188,224	\$ 183,792	\$ 192,170	\$ 218,157	\$ 216,966
Interest	331,332	357,869	359,128	387,722	440,174	466,382
Changes in benefit terms	-	-	-	-	-	-
Difference between actual & expected experience	(8,606)	(376,187)	(23,064)	367,616	(77,689)	(111,402)
Change of assumptions	-	-	-	109,475	-	-
Benefit payments, including refunds of employee contributions	(150,297)	(163,950)	(133,434)	(160,518)	(201,960)	(233,950)
<b>Net change in total pension liability</b>	335,468	5,956	386,422	896,465	378,682	337,996
<b>Total pension liability - beginning</b>	4,329,871	4,665,339	4,671,295	5,057,717	5,954,182	6,332,864
<b>Total pension liability - ending (a)</b>	<u>\$ 4,665,339</u>	<u>\$ 4,671,295</u>	<u>\$ 5,057,717</u>	<u>\$ 5,954,182</u>	<u>\$ 6,332,864</u>	<u>\$ 6,670,860</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 66,042	\$ 75,828	\$ 81,831	\$ 86,090	\$ 86,292	\$ 138,240
Contributions - employee	96,839	94,082	102,433	106,812	107,462	111,334
Net investment income	707,921	153,379	136,778	603,862	492,809	478,386
Benefit payments, including refunds of employee contributions	(150,297)	(163,950)	(133,434)	(160,518)	(201,960)	(233,950)
Administrative expense	(3,475)	(4,455)	(7,379)	(8,107)	(8,996)	(8,595)
Other	-	-	2,915	3,152	-	-
<b>Net change in plan fiduciary net position</b>	717,030	154,884	183,144	631,291	475,607	485,415
<b>Plan fiduciary net position - beginning</b>	4,259,295	4,976,325	5,131,209	5,314,353	5,945,644	6,421,251
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 4,976,325</u>	<u>\$ 5,131,209</u>	<u>\$ 5,314,353</u>	<u>\$ 5,945,644</u>	<u>\$ 6,421,251</u>	<u>\$ 6,906,666</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ (310,986)</u>	<u>\$ (459,914)</u>	<u>\$ (256,636)</u>	<u>\$ 8,538</u>	<u>\$ (88,387)</u>	<u>\$ (235,806)</u>

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\***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	106.67%	109.85%	105.07%	99.86%	101.40%	103.53%
<b>Covered - employee payroll</b>	\$ 1,936,735	\$ 1,881,606	\$ 2,065,450	\$ 2,136,220	\$ 2,141,220	\$ 2,218,936
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	-16.06%	-24.44%	-12.43%	0.40%	-4.13%	-10.63%

**Notes to Schedule:**

*Changes of assumptions.* In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

*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>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 66,042	\$ 75,828	\$ 81,831	\$ 86,090	\$ 86,292	\$ 138,240	\$ 155,161
Contributions in relation to the actuarially determined contributions	<u>66,042</u>	<u>75,828</u>	<u>81,831</u>	<u>86,090</u>	<u>86,292</u>	<u>138,240</u>	<u>155,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 1,936,735	\$ 1,881,606	\$ 2,065,450	\$ 2,136,220	\$ 2,141,220	\$ 2,218,936	\$ 2,354,474
Contributions as a percentage of covered-employee payroll	3.41%	4.03%	3.96%	4.03%	4.03%	6.23%	6.59%

\*GASB 68 requires a 10 year schedule for this data to be presented starting with the *implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

**Notes to Schedule:**

*Valuation Date* : Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 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	2.25 percent

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

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF**  
**COLLECTIVE OPEB LIABILITY AND RATIOS**

Fiscal Year Ended June 30,

**Teacher Group Insurance Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 273,451	\$ 203,584	\$ 219,574
Interest	169,530	147,488	126,147
Changes of benefit terms	-	(881)	-
Differences between expected and actual experience	1,736,654	251,197	-
Changes of assumptions	(421,465)	174,038	(166,404)
Benefit payments	<u>(264,104)</u>	<u>(348,393)</u>	<u>(332,643)</u>
Net change in total OPEB liability	\$ 1,494,066	\$ 427,033	\$ (153,326)
Total OPEB liability - beginning	<u>4,540,564</u>	<u>4,113,531</u>	<u>4,266,857</u>
Total OPEB liability - ending	<u>\$ 6,034,630</u>	<u>\$ 4,540,564</u>	<u>\$ 4,113,531</u>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 1,233,003	 931,288	 1,198,557
<b>Employer's proportionate share of the collective total OPEB liability</b>	4,801,627	3,609,276	2,914,974
<b>Covered-employee payroll</b>	7,660,949	9,850,632	10,487,433
 <b>Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll</b>	 62.68%	 36.64%	 27.79%

**Note to Schedule:**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

*See independent auditor's report.*



**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF**  
**COLLECTIVE OPEB LIABILITY AND RATIOS**

Fiscal Year Ended June 30,

**Tennessee Plan**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 9,291	\$ 9,464	\$ 11,667
Interest	19,724	21,408	19,029
Changes of benefit terms	-	-	-
Differences between expected and actual experience	110,012	(57,279)	-
Changes of assumptions	8,106	(4,374)	(54,078)
Benefit payments	(26,153)	(25,172)	(24,300)
Net change in total OPEB liability	\$ 120,980	\$ (55,953)	\$ (47,682)
Total OPEB liability - beginning	<u>548,522</u>	<u>604,475</u>	<u>652,157</u>
Total OPEB liability - ending	<u>\$ 669,502</u>	<u>\$ 548,522</u>	<u>\$ 604,475</u>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 669,502	 548,522	 604,475
 <b>Employer's proportionate share of the collective total OPEB liability</b>	 -	 -	 -
 <b>Covered-employee payroll</b>	 7,660,949	 9,850,632	 10,487,433
 <b>Employer's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll</b>	 0.00%	 0.00%	 0.00%

**Note to Schedule:**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RATIOS**  
For the Fiscal Year Ended June 30, 2020

Valuation Date: June 30, 2019  
Measurement Date: June 30, 2019

**Methods and Assumptions Used to Determine Total OPEB Liability**

Actuarial Cost Method      Entry Age Normal

Inflation                      2.20%

Discount Rate                3.51%

Salary Increases              Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4.00% weighted average).

Demographic Assumptions      Unless noted otherwise, demographic assumptions employed in the June 30, 2019 evaluation were the same as those employed in the July 1, 2019 for a Group I employees in the Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These demographic assumptions were developed by TCRS from an Actuarial Experience Study (undertaken on behalf of TCRS) and are considered appropriate for use in this OPEB Actuarial Valuation. These include assumed rates of future salary increases, termination, mortality, disability, and retirement.

Healthcare Cost Trend Rates      - **Tennessee Plan:** Premium subsidies provided by the State and local employers are assumed to remain unchanged for the entire projection.  
- **Teacher Group Insurance Plan:** 6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.

**Other Information:**

Notes                              See the Actuarial Valuation Report as of June 30, 2019  
There were no benefit changes during the measurement period.  
There have been no method changes since the prior year.

**The Teacher Group Insurance Plan**

The financial accounting valuation reflects the following assumption changes:  
- The discount rate decreased from 3.62% to 3.51%.  
- The medical and drug trend rate assumptions were updated to reflect more recent experience as of the Measurement Date.  
- A change in expected per capita health claims to reflect more recent information as of the Measurement Date.

**The Tennessee Plan:**

The financial accounting valuation reflects the following assumption change:  
- The discount rate decreased from 3.62% to 3.51%.

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION**

**MILAN SPECIAL SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**  
June 30, 2020

	Special Revenue Funds		
	Federal Projects Fund	Centralized Cafeteria Fund	Total
<b>Assets:</b>			
Cash	\$ -	\$ 900,680	\$ 900,680
Accounts receivable	-	729	729
Due from other governments - grants	69,112	67,730	136,842
Inventory	-	29,991	29,991
<b>Total assets</b>	<b>\$ 69,112</b>	<b>\$ 999,130</b>	<b>\$ 1,068,242</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Due to other funds	69,112	-	69,112
Total liabilities	69,112	-	69,112
<b>Fund balances:</b>			
Nonspendable			
Inventory	-	29,991	29,991
Restricted			
Operation of non-instructional services	-	969,139	969,139
Total fund balances	-	999,130	999,130
<b>Total liabilities and fund balances</b>	<b>\$ 69,112</b>	<b>\$ 999,130</b>	<b>\$ 1,068,242</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, 2020**

	Special Revenue Funds		
	Federal Projects Fund	Centralized Cafeteria Fund	Total
<b>Revenues:</b>			
Charges for current services	\$ -	\$ 157,789	\$ 157,789
Other local revenues	-	11,865	11,865
State revenue	-	9,550	9,550
Federal revenue	1,322,573	1,244,773	2,567,346
<b>Total revenues</b>	<b>1,322,573</b>	<b>1,423,977</b>	<b>2,746,550</b>
<b>Expenditures:</b>			
Current			
Instruction	1,023,860	-	1,023,860
Support services	298,713	-	298,713
Food service	-	1,145,943	1,145,943
<b>Total expenditures</b>	<b>1,322,573</b>	<b>1,145,943</b>	<b>2,468,516</b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>278,034</b>	<b>278,034</b>
<b>Fund balance - beginning</b>	<b>-</b>	<b>739,231</b>	<b>739,231</b>
Increase (decrease) in inventory	-	(18,135)	(18,135)
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ 999,130</b>	<b>\$ 999,130</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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>Revenues:</b>				
<b>Federal through State:</b>				
Vocational education -				
Basic grants to states	\$ 100,049	\$ 100,049	\$ 72,156	\$ (27,893)
Title I	516,112	550,445	529,416	(21,029)
Education of the Handicapped - IDEA	512,327	516,232	481,925	(34,307)
IDEA Preschool	98,566	98,636	96,912	(1,724)
English language acquisition grants	1,480	1,485	1,295	(190)
Rural Education	36,003	79,073	43,068	(36,005)
Eisenhower	59,912	114,314	77,197	(37,117)
Other Federal grants	34,866	34,408	20,604	(13,804)
Total federal through state	<u>1,359,315</u>	<u>1,494,642</u>	<u>1,322,573</u>	<u>(172,069)</u>
 <b>Total revenues</b>	 <b><u>1,359,315</u></b>	 <b><u>1,494,642</u></b>	 <b><u>1,322,573</u></b>	 <b><u>(172,069)</u></b>
 <b>Expenditures:</b>				
<b>Current</b>				
<b>Instruction:</b>				
Regular instruction program:				
Teachers	220,231	217,420	217,090	(330)
Aides	143,670	142,318	140,837	(1,481)
Bonus Payments	5,105	10,047	10,047	-
Other salaries and wages	500	7,100	3,988	(3,112)
Substitute teachers	300	150	35	(115)
Non-certified substitute teachers	500	7,200	6,257	(943)
Social Security	21,450	21,600	19,781	(1,819)
State retirement	30,593	31,210	30,541	(669)
Medical insurance	28,793	37,497	37,496	(1)
Medicare	4,715	5,093	4,626	(467)
Instructional supplies	17,635	24,807	19,932	(4,875)
Other supplies and materials	249	470	-	(470)
Equipment	800	250	-	(250)
	<u>474,541</u>	<u>505,162</u>	<u>490,630</u>	<u>(14,532)</u>
 Special education program:				
Aides	\$ 279,757	\$ 245,343	\$ 241,474	\$ (3,869)
Speech pathology	-	47,888	47,850	(38)
Bonus Payments	3,350	10,838	10,838	-

*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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Special education program:				
Substitute teachers	\$ 500	\$ 500	\$ 70	(430)
Non-certified substitute teachers	4,000	8,130	8,130	-
Social Security	17,565	17,044	16,261	(783)
State retirement	18,587	20,286	19,003	(1,283)
Medical Insurance	55,296	65,625	61,789	(3,836)
Medicare	4,127	4,082	3,803	(279)
Other contracted services	95,280	49,280	40,404	(8,876)
Instructional supplies	13,750	20,537	18,181	(2,356)
Special education equipment	5,458	6,159	4,697	(1,462)
	<u>497,670</u>	<u>495,712</u>	<u>472,500</u>	<u>(23,212)</u>
Vocational education program:				
Instructional supplies and materials	9,435	9,435	9,109	(326)
Other salaries and wages	19,961	19,961	7,330	(12,631)
Social security	1,265	1,265	418	(847)
State retirement	2,168	2,168	644	(1,524)
Employer medicare liability	296	296	98	(198)
Other contracted services	300	300	300	-
Other supplies and materials	14,075	13,150	4,973	(8,177)
Equipment	31,468	39,850	37,858	(1,992)
	<u>78,968</u>	<u>86,425</u>	<u>60,730</u>	<u>(25,695)</u>
<b>Total instruction</b>	<b><u>1,051,179</u></b>	<b><u>1,087,299</u></b>	<b><u>1,023,860</u></b>	<b><u>(63,439)</u></b>
<b>Support Services:</b>				
Other student support:				
Bonus Payments	200	600	600	-
Other salaries and wages	23,760	20,590	18,969	(1,621)
Social security	1,486	1,314	845	(469)
State retirement	1,740	1,558	777	(781)
Medical insurance	-	6,900	6,778	(122)
Medicare	348	308	198	(110)
Travel	6,850	295	195	(100)
Other contracted services	2,400	2,788	2,388	(400)
Other equipment	50	50	-	(50)
In-service/staff development	6,312	4,023	3,723	(300)
Other charges	2,030	2,100	224	(1,876)
	<u>45,176</u>	<u>40,526</u>	<u>34,697</u>	<u>(5,829)</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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Regular instruction program:				
Supervisor/director	48,031	47,399	47,399	-
Bonus	465	1,398	1,395	(3)
Other salaries and wages	61,399	115,602	68,310	(47,292)
Social Security	6,856	14,191	7,004	(7,187)
State retirement	11,749	16,408	12,127	(4,281)
Medical insurance	5,898	7,998	7,960	(38)
Medicare	1,595	2,307	1,638	(669)
Travel	500	400	-	(400)
Other contracted services	500	500	-	(500)
Other supplies and materials	553	500	123	(377)
In-service-staff development	3,078	22,000	14,214	(7,786)
Other charges	-	9,394	-	(9,394)
Equipment	468	231	-	(231)
	<u>141,092</u>	<u>238,328</u>	<u>160,170</u>	<u>(78,158)</u>
Special education program:				
Other contracted services	60,000	64,000	54,727	(9,273)
Other supplies and materials	1,053	1,053	1,050	(3)
In-service-staff development	3,800	5,229	1,930	(3,299)
Other equipment	37,370	37,873	37,630	(243)
	<u>102,223</u>	<u>108,155</u>	<u>95,337</u>	<u>(12,818)</u>
Vocational education program:				
Inservice/staff development	1,200	1,888	1,887	(1)
	<u>1,200</u>	<u>1,888</u>	<u>1,887</u>	<u>(1)</u>
Technology:				
Other salaries	\$ 8,128	\$ 8,128	\$ 1,550	\$ (6,578)
Social security	497	497	88	(409)
State retirement	839	839	149	(690)
Medicare	116	116	21	(95)
Other supplies	1,639	1,640	1,536	(104)
Inservice/staff	7,226	7,226	3,278	(3,948)
	<u>18,445</u>	<u>18,446</u>	<u>6,622</u>	<u>(11,824)</u>
<b>Total support services</b>	<b><u>308,136</u></b>	<b><u>407,343</u></b>	<b><u>298,713</u></b>	<b><u>(108,630)</u></b>
<b>Total expenditures</b>	<b><u>1,359,315</u></b>	<b><u>1,494,642</u></b>	<b><u>1,322,573</u></b>	<b><u>(172,069)</u></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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u><u>\$ -</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, 2020

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>Revenues:</b>				
<b>Charges for current services:</b>				
Lunch payments - children	\$ 132,608	\$ 136,520	\$ 108,866	\$ (27,654)
Lunch payments - adults	27,798	27,798	22,416	(5,382)
A La Carte sales	22,185	22,185	20,108	(2,077)
Other charges for services	6,393	6,393	6,399	6
	<u>188,984</u>	<u>192,896</u>	<u>157,789</u>	<u>(35,107)</u>
<b>Other revenues:</b>				
Miscellaneous	1,601	20,601	4,637	(15,964)
Interest earned	245	245	7,228	6,983
	<u>1,846</u>	<u>20,846</u>	<u>11,865</u>	<u>(8,981)</u>
<b>State education funds:</b>				
School food service	<u>9,719</u>	<u>9,719</u>	<u>9,550</u>	<u>(169)</u>
<b>Federal through State:</b>				
USDA - lunch	557,163	696,923	726,235	29,312
USDA - commodities (non-cash)	83,000	72,560	72,560	-
USDA - breakfast	313,249	323,882	428,124	104,242
USDA - other	14,315	14,315	17,854	3,539
	<u>967,727</u>	<u>1,107,680</u>	<u>1,244,773</u>	<u>137,093</u>
<b>Total revenues</b>	<u><b>1,168,276</b></u>	<u><b>1,331,141</b></u>	<u><b>1,423,977</b></u>	<u><b>92,836</b></u>
<b>Expenditures:</b>				
<b>Current</b>				
Food service:				
Director	43,867	50,767	46,867	(3,900)
Clerical personnel	5,722	7,050	6,456	(594)
Cafeteria personnel	287,984	323,373	293,899	(29,474)
Temporary personnel	4,000	7,400	3,627	(3,773)
Bonus payments	11,844	13,444	12,460	(984)
Other salaries & wages	2,000	2,300	2,161	(139)
Social Security	21,393	25,695	21,135	(4,560)
State retirement	22,739	26,863	21,314	(5,549)
Medical insurance	26,190	33,190	32,991	(199)
Medicare liability	5,004	6,142	4,943	(1,199)
Advertising	2,020	2,020	-	(2,020)
Dues and memberships	4,000	4,000	3,861	(139)

*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, 2020**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Licenses	\$ 4,630	\$ 4,630	\$ 4,580	\$ (50)
Maintenance & repair	6,000	27,000	5,585	(21,415)
Pest control	720	720	720	-
Travel	3,000	3,000	853	(2,147)
Postal charges	200	200	42	(158)
Printing	-	690	278	(412)
Permits	300	300	240	(60)
Custodial supplies	7,100	11,225	6,906	(4,319)
Food preparation supplies	55,607	74,207	53,083	(21,124)
Food supplies	519,856	581,087	524,427	(56,660)
Office supplies	2,000	2,000	1,213	(787)
Uniforms	3,000	3,875	3,865	(10)
USDA - commodities (non-cash)	83,000	72,560	72,560	-
Other supplies & materials	800	800	328	(472)
In service/staff development	6,500	8,041	2,167	(5,874)
Other charges	3,800	15,900	5,174	(10,726)
Equipment	35,000	22,662	14,208	(8,454)
<b>Total expenditures</b>	<b><u>1,168,276</u></b>	<b><u>1,331,141</u></b>	<b><u>1,145,943</u></b>	<b><u>(185,198)</u></b>
<b>Net changes in fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b>278,034</b>	<b><u>\$ 278,034</u></b>
<b>Fund balance - beginning</b>			<b>739,231</b>	
Increase (decrease) in inventory			<u>(18,135)</u>	
<b>Fund balance - ending</b>			<b><u>\$ 999,130</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, 2020

	Actual
<b>Revenues:</b>	
Other local revenues:	
Interest earned	\$ 65,095
<b>Total revenues</b>	<b><u>65,095</u></b>
<b>Expenditures:</b>	
Non-instructional Services:	
Capital Outlay:	
Building construction	4,278,113
Design expense	<u>351,685</u>
	<u>4,629,798</u>
Debt Service:	
Cost of debt issuance	<u>249,885</u>
<b>Total expenditures</b>	<b><u>4,879,683</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>(4,814,588)</u></b>
<b>Other financing sources (uses)</b>	
Premiums on debt	103,494
Bond proceeds	<u>8,609,288</u>
<b>Total Other financing sources (uses)</b>	<b><u>8,712,782</u></b>
<b>Net changes in fund balance</b>	<b>3,898,194</b>
<b>Fund balance - beginning</b>	<b><u>23,236</u></b>
<b>Fund balance - ending</b>	<b><u>\$ 3,921,430</u></b>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - PAST TEN YEARS**  
June 30, 2020

<u>Year Ended June 30,</u>	<u>Tax Rates</u>	<u>Assessments</u>	<u>Tax Levy</u>
2020	\$ 2.23	\$ 192,560,325	\$ 4,294,095
2019	1.88	178,915,631	3,363,614
2018	1.88	176,366,055	3,315,682
2017	1.88	177,643,952	3,335,088
2016	1.88	175,396,373	3,292,892
2015	1.88	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

The following is the tax levied January 1, 2020:

2021	\$ 2.2300	\$ 193,661,885	\$ 4,318,660
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*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF LONG-TERM DEBT**  
June 30, 2020

Year Ended June 30,	Bonds						Energy Efficient Schools		Total Requirements		
	Series 2015		Series 2008		Series 2019		Initiative Loan - 2018		Principal	Interest	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2021	\$ 850,000	\$ 53,900	\$ 100,000	\$ 17,250	\$ -	\$ 254,770	\$ 160,404	\$ 17,232	\$ 1,110,404	\$ 343,152	\$ 1,453,556
2022	875,000	53,900	100,000	13,000	-	254,770	162,012	15,624	1,137,012	337,294	1,474,306
2023	900,000	36,400	100,000	8,750	-	254,770	163,644	13,992	1,163,644	313,912	1,477,556
2024	920,000	18,400	100,000	4,375	-	254,770	165,288	12,348	1,185,288	289,893	1,475,181
2025	-	-	-	-	290,000	254,770	166,944	10,692	456,944	265,462	722,406
2026	-	-	-	-	295,000	246,070	168,624	9,012	463,624	255,082	718,706
2027	-	-	-	-	305,000	237,220	170,316	7,320	475,316	244,540	719,856
2028	-	-	-	-	315,000	228,070	172,032	5,604	487,032	233,674	720,706
2029	-	-	-	-	325,000	218,620	173,760	3,876	498,760	222,496	721,256
2030	-	-	-	-	330,000	211,308	175,500	2,136	505,500	213,444	718,944
2031	-	-	-	-	340,000	203,888	117,938	424	457,938	204,312	662,250
2032	-	-	-	-	345,000	196,233	-	-	345,000	196,233	541,233
2033	-	-	-	-	355,000	188,470	-	-	355,000	188,470	543,470
2034	-	-	-	-	360,000	180,838	-	-	360,000	180,838	540,838
2035	-	-	-	-	370,000	172,918	-	-	370,000	172,918	542,918
2036	-	-	-	-	380,000	164,593	-	-	380,000	164,593	544,593
2037	-	-	-	-	385,000	155,853	-	-	385,000	155,853	540,853
2038	-	-	-	-	395,000	146,805	-	-	395,000	146,805	541,805
2039	-	-	-	-	405,000	137,325	-	-	405,000	137,325	542,325
2040	-	-	-	-	415,000	127,200	-	-	415,000	127,200	542,200
2041	-	-	-	-	425,000	116,618	-	-	425,000	116,618	541,618
2042	-	-	-	-	440,000	105,568	-	-	440,000	105,568	545,568
2043	-	-	-	-	450,000	93,688	-	-	450,000	93,688	543,688
2044	-	-	-	-	460,000	81,538	-	-	460,000	81,538	541,538
2045	-	-	-	-	475,000	68,888	-	-	475,000	68,888	543,888
2046	-	-	-	-	490,000	55,825	-	-	490,000	55,825	545,825
2047	-	-	-	-	510,000	42,350	-	-	510,000	42,350	552,350
2048	-	-	-	-	510,000	28,325	-	-	510,000	28,325	538,325
2049	-	-	-	-	520,000	14,300	-	-	520,000	14,300	534,300
	<u>\$ 3,545,000</u>	<u>\$ 162,600</u>	<u>\$ 400,000</u>	<u>\$ 43,375</u>	<u>\$ 9,890,000</u>	<u>\$ 4,696,361</u>	<u>\$ 1,796,462</u>	<u>\$ 98,260</u>	<u>\$ 15,631,462</u>	<u>\$ 5,000,596</u>	<u>\$ 20,632,058</u>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBTS BY INDIVIDUAL ISSUE**  
June 30, 2020

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/19	Issued during period	Paid and/or		Outstanding 6/30/20
							matured during period	Refunded during period	
School bonds payable, Series 2008	\$ 1,760,000	3.00% - 4.375%	September 26, 2008	April 1, 2024	\$ 4,370,000	\$ -	\$ 825,000	\$ -	\$ 3,545,000
School bonds payable, Series 2015	7,365,000	3.75% - 4.10%	April 1, 2015	April 1, 2024	500,000	-	100,000	-	400,000
School bonds payable, Series 2019	9,890,000	2.15% - 3.00%	December 18, 2019	March 1, 2049	-	9,890,000	-	-	9,890,000
Energy Efficient Schools Initiative Loan, 2018	1,997,513	1%	February 16, 2018	February 1, 2031	1,955,270	-	158,808	-	1,796,462
	<u><b>\$21,012,513</b></u>				<u><b>\$ 6,825,270</b></u>	<u><b>\$ 9,890,000</b></u>	<u><b>\$ 1,083,808</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 15,631,462</b></u>

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF BONDS**  
June 30, 2020

	<u>Bond</u>	
Director of Schools	<u>\$ 400,000</u>	*

\*All other employees of the school district are covered by a fidelity bond of \$400,000 for each occurrence.

*See independent auditor's report.*



**MILAN SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Then Ended June 30, 2020

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the SEFA) and schedule of state financial assistance (the SSFA) include the federal and state award activity of Milan Special School District (the District) under programs of the federal and state governments for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because these schedules present only a selected portion of the operations of the District, they are not intended to and do not present the statement of net position, statement of activities, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the SEFA and SSFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA and SSFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

*See independent auditor's report.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Then Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Cluster & Program	Federal CFDA Number	Agency or Pass-through Number	Expenditures
<b>U.S. Department of Agriculture</b>			
<i>Pass-through the Tennessee Department of Agriculture</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553*	N/A	\$ 264,957
COVID-19 Unanticipated School Closures - Breakfast Program	10.553*	N/A	<u>163,167</u>
			<u>428,124</u>
National School Lunch Program - Snack	10.555*	N/A	13,138
National School Lunch Program	10.555*	N/A	466,437
COVID-19 Unanticipated School Closures - Lunch Program	10.555*	N/A	259,798
National School Lunch Program- Commodity Rebate	10.555*	N/A	4,716
National School Lunch Program- Commodities - noncash	10.555*	N/A	<u>72,560</u>
			<u>816,649</u>
Total of child nutrition cluster			<u>1,244,773</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,244,773</u></b>
<b>U.S. Department of Education</b>			
<i>Pass-through the Tennessee Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States			
IDEA, Part B	84.027	H027A190052	434,743
IDEA, High cost	84.027	H027A190052	30,245
IDEA, SWD	84.027	H027A190052	40,404
IDEA, Technology Partnership	84.027	H027A190052	3,798
IDEA, Discretionary	84.027	H027A190052	<u>2,980</u>
			<u>512,170</u>
Special Education - Preschool Grants:			
IDEA Preschool	84.173	H173A190095	<u>96,912</u>
Total of special education cluster			<u>609,082</u>
Title I, Grants to Local Education Agencies			
Part A	84.010	S010A190042	<u>529,416</u>
Office of Vocational and Adult Education			
Career and Technical Education -			
Basic Grants to States	84.048	V048A190042	<u>72,156</u>
English Language Acquisition Grants			
Title III, Part A	84.365A	S365A190042	<u>1,295</u>
Rehabilitation Services Vocational Rehabilitation Grants to States			
Transition School to Work Program	84.126	Z19-55219	<u>107,803</u>
Student Support and Academic Enrichment Program	84.424	S424A190044	<u>17,512</u>

*See independent auditor's report and notes to the schedule of expenditures of federal awards  
and schedule of state financial assistance.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Then Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Cluster & Program	Federal CFDA Number	Agency or Pass-through Number	Expenditures
Office of Elementary and Secondary Education			
Title II, Part A, Enhancing Education Through Supporting Effective Instruction State Grant/ Technology - Training	84.367	S367A190040	77,197
Rural Education	84.358	S358B190042	43,068
<b>Total US Department of Education</b>			<b>1,457,529</b>
<b>U.S. Department of Health and Human Services</b>			
<i>Pass-through the Tennessee Department of Health and Human Services</i>			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant/ Read to be Ready Summer	93.575	N/A	3,092
<i>Pass-through Northwest Tennessee Economic Development Council</i>			
Head Start Cluster			
Head Start	93.600	2019-2020	51,996
<b>Total US Department of Health and Human Services</b>			<b>55,088</b>
<b>Total federal awards</b>			<b>\$ 2,757,390</b>

\*Major federal financial assistance program.

*See independent auditor's report and notes to the schedule of expenditures of federal awards  
and schedule of state financial assistance.*

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Then Ended June 30, 2020

<u>State Grantor/Program</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
<b>Tennessee Department of Education</b>		
Special Programs - Early Childhood	Unknown	<u>\$ 509,148</u>
Drivers Education	Unknown	<u>8,944</u>
Child Nutrition	Unknown	<u>9,550</u>
Safe Schools	Unknown	<u>41,929</u>
Career Ladder Program	Unknown	<u>35,280</u>
Coordinated School Health	Unknown	<u>75,000</u>
OCAO Standards Training	Unknown	<u>1,000</u>
CTE Start-up Grant	Unknown	<u>2,500</u>
ConnecTN	Unknown	<u>2,912</u>
<b>Total State Awards</b>		<b><u>\$ 686,263</u></b>

*See independent auditor's report and notes to the schedule of expenditures of federal awards  
and schedule of state financial assistance.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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**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, 2020, and the related notes to the financial statements, which collectively comprise the Milan Special School District's basic financial statements as listed in the table of contents and have issued our report thereon dated December 28, 2020.

**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) as a basis for designing 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.

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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Milan Special School District in a separate letter dated December 28, 2020.

### **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 28, 2020



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## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2020.



## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 28, 2020

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2020

**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>          </u> yes	<u>      X      </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>      X      </u> none reported
Noncompliance material to financial statements noted?	<u>          </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 2 CRF 200.516(a)?	<u>          </u> yes	<u>      X      </u> no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:		<u><u>\$ 750,000</u></u>
Auditee qualified as low-risk auditee?	<u>      X      </u> yes	<u>          </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.

**MILAN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2020

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.



## **APPENDIX D**

### **BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## **BOND INSURANCE**

### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$505.3 million, \$158.1 million and \$347.2 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than

with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.





## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN