

FRANKLIN SPECIAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

Matlock Clements

Certified Public Accountants

INTRODUCTORY SECTION

FRANKLIN SPECIAL SCHOOL DISTRICT

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FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Principal Officials

June 30, 2019

<u>Name</u>	<u>Title</u>	
Tim Stillings	Chairman, Board of Education	*
Robert Blair	Vice-Chairman, Board of Education	*
Robin Newman	Member, Board of Education	*
Alicia Barker	Member, Board of Education	*
Allena Bell	Treasurer, Board of Education	*
Kevin Townsel	Secretary, Board of Education	*
David L. Snowden, Ph.D.	Director of Schools	**

* Elected at-Large

** Appointed

FINANCIAL SECTION

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Independent Auditor's Report

Members of the Board of Education and
The Director of Schools
Franklin Special School District
Franklin, 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 the Franklin Special School District (the District), as of and for the year ended June 30, 2019, 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 of 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 District, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison of 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 on pages 10-20 and 65-72 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 District's basic financial statements. The combining and individual nonmajor fund statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the 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 the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Matlock Clements, P.C." with a stylized flourish at the end.

Matlock Clements, P.C.
Murfreesboro, Tennessee
November 22, 2019

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

Our discussion and analysis of the Franklin Special School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$23,163,017 (net position).
- The change in net position increased \$2.3 million.
- Outlays for new capital assets totaled \$1,670,203 and consisted of various repairs and improvements, and construction in progress and various equipment purchases.
- The District issued \$26,500,000 Limited Tax School Improvement Bonds, Series 2019, for major renovations including furnishings and fixtures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This comprehensive annual financial report consists of a series of financial statements, notes to those statements and required supplementary information. The statements are organized so the reader can understand the District as a whole and then proceed to a detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private-sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in the net position and begin on page 20. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. Readers will need to consider other nonfinancial factors such as the property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the District.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Fund Financial Statements

The District's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance, begin on page 22 and provide detailed information about the District's most significant or "major" funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

The District's funds are categorized as "governmental funds", which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the government-wide financial statements to report on the District as a whole.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides through its various funds. Governmental fund information helps the reader determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (as reported in the Statement of Net Position and the Statement of Activities) and governmental funds (as reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a school district's financial position. In the case of the District, the net position was approximately \$23.16 million at the close of the fiscal year.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

A schedule of the District's net position at June 30, 2018 (for comparison) and 2019 follows:

	<i>Governmental</i>	
	<i>Activities</i>	
	<u>2019</u>	<u>2018</u>
Current and other Assets	\$ 79,300,828	\$ 48,453,003
Capital Assets, net	60,299,113	61,140,074
Deferred Outflows	8,519,317	10,394,113
<i>Total assets and Deferred</i>	<u>148,119,258</u>	<u>119,987,190</u>
<i>Outflows of Resources</i>		
Long-term liabilities	71,058,987	49,910,517
Other liabilities	11,967,834	8,929,877
Deferred Inflows	41,929,420	40,268,328
<i>Total Liabilities and Deferred</i>	<u>124,956,241</u>	<u>99,108,722</u>
<i>Inflows of Resources</i>		
<i>Net position:</i>		
Invested in capital assets, net of related debt	(1,596,197)	25,879,061
Restricted for special programs	-	-
Restricted for capital outlay	29,681,590	429,508
Unrestricted	(4,922,376)	(5,430,101)
<i>Total net position</i>	<u>\$ 23,163,017</u>	<u>\$ 20,878,468</u>
"Prior Period Adjustment as Required by GASB 75"	-	(6,555,618)

The District's net position of approximately \$23.16 million is primarily composed of the District's investment in capital assets, net of related debt. This has resulted primarily due to the District's use of capital appreciation bonds and the accreted interest on these bonds. Long-term debt includes \$3.38 million in accreted interest for capital appreciation bonds which are not included in debt for the calculation of the net investment in capital assets. The District uses capital assets to provide services to its roughly 3,677 public school students; consequently, these assets are not available for future spending. Although the District's net investment in 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.

Changes in Net Position

The District's activities are categorized as "governmental" activities. The net position of the District's governmental activities increased by \$2,284,549. The increase in net position resulted primarily from total general revenues exceeding the total net expenditures of the primary governmental activities.

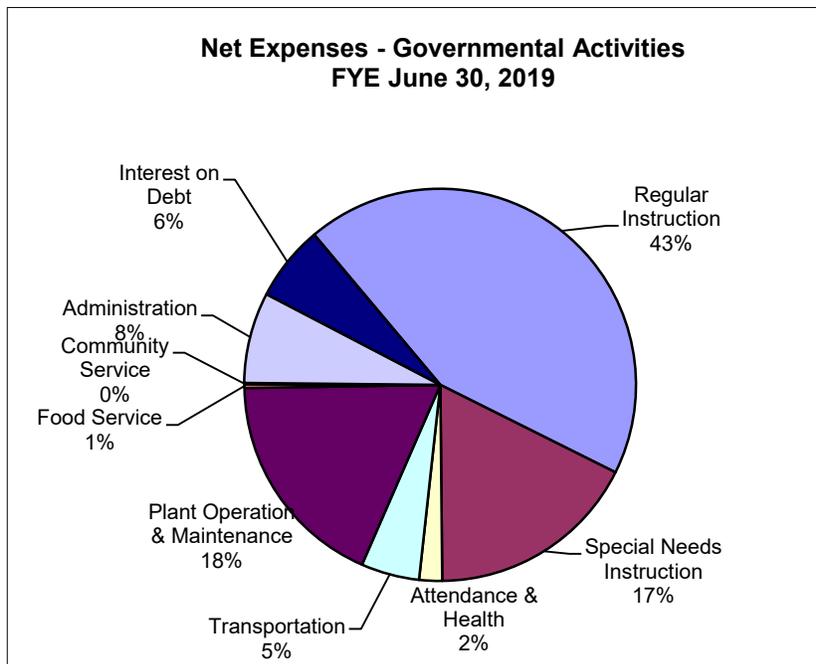
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

The following table reflects the "total" cost of program services and the "net" cost of those services after taking into account the program revenues for the specific governmental activities.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

	<i>Total Cost of Services</i>	<i>Less: Program Revenues</i>	<i>Net Cost of Services</i>	<i>Net Cost of Services</i>
Program Expenses:			2019	2018
Instruction:				
Regular	\$34,818,295	\$(18,268,098)	\$ 16,550,197	\$ 11,853,603
Special needs	6,918,378	(272,913)	6,645,465	6,218,259
Support Services:				
Attendance and health	722,716	-	722,716	688,884
Transportation	1,827,890	-	1,827,890	1,818,499
Plant operations and maintenance	6,921,488	-	6,921,488	6,470,436
Food service	2,326,394	(2,201,808)	124,586	106,858
Community service	1,433,721	(1,395,474)	38,247	136,736
Administration	2,854,490	-	2,854,490	4,811,904
Interest on debt	2,373,833	-	2,373,833	1,561,684
Total	\$60,197,205	\$(22,138,293)	38,058,912	33,666,863
 Less: General Revenues			 40,343,461	 39,086,339
Change in Net Position			\$ 2,284,549	\$ 5,419,476
Prior Period Adjustment				(6,555,618)



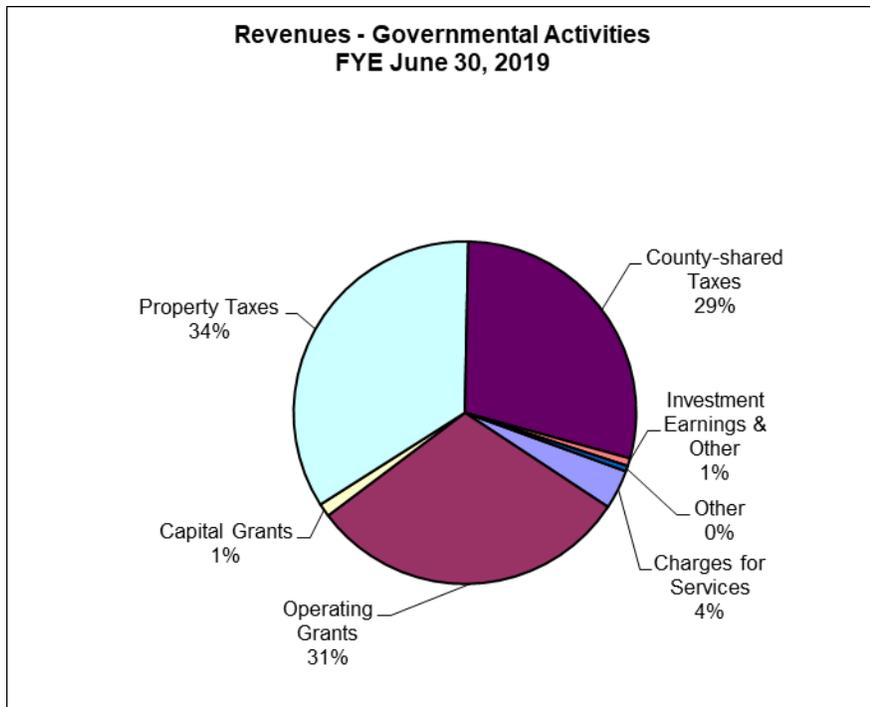
The net cost of regular instruction, plant operation and maintenance and special needs instruction represent the largest components of the District's governmental activities, 43%, 18% and 17%,

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

respectively. The District relies on general revenues, including tax revenue and unrestricted State BEP funds, to support the net cost of its governmental activities. As the table below indicates, \$40.3 million of general revenues were realized to support \$38.1 million of governmental activities.

	<i>Governmental 2019 Activities</i>		<i>Governmental 2018 Activities</i>	
	\$	%	\$	%
Program Revenues:				
Charges for services	2,326,119	3.7%	2,006,244	3.3%
Operating grants	19,029,793	30.5%	18,650,883	30.7%
Capital grants	782,381	1.3%	981,294	1.6%
	<u>22,138,293</u>	<u>35.4%</u>	<u>21,638,421</u>	<u>35.6%</u>
General Revenues:				
Property taxes	21,448,120	34.3%	21,727,934	35.8%
County-shared taxes	18,114,753	29.0%	16,922,058	27.9%
Investment earnings	460,044	0.7%	144,351	0.2%
Other	320,544	0.5%	291,996	0.5%
	<u>40,343,461</u>	<u>64.6%</u>	<u>39,086,339</u>	<u>64.4%</u>
Total Revenues	<u>\$ 62,481,754</u>	<u>100.0%</u>	<u>\$ 60,724,760</u>	<u>100.0%</u>



Property taxes and county-shared taxes, including sales tax and State BEP funds, accounted for most of the District's general revenues, contributing about 34 cents and 29 cents, respectively, of every dollar raised. Another 31% came from State and Federal funds for specific programs, and the remainder from fees charged for services and miscellaneous sources.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds (as presented on the Balance Sheet on page 23) reported a combined fund balance of \$35.67 million, an increase of \$27,332,329 from the prior year. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2019.

	Balance, June 30, 2019	Balance, June 30, 2018	Increase (Decrease)
General	\$ 4,683,713	\$ 5,936,846	\$ (1,253,133)
Debt Service	661,523	1,381,118	(719,595)
Nonmajor Funds:			
Food Service	96,967	60,585	36,382
Federal Projects	-	-	-
Community Service	(77,475)	(94,068)	16,593
Capital Outlay	30,301,338	1,049,256	29,252,082
Total	<u>\$ 35,666,066</u>	<u>\$ 8,333,737</u>	<u>\$ 27,332,329</u>

General Fund

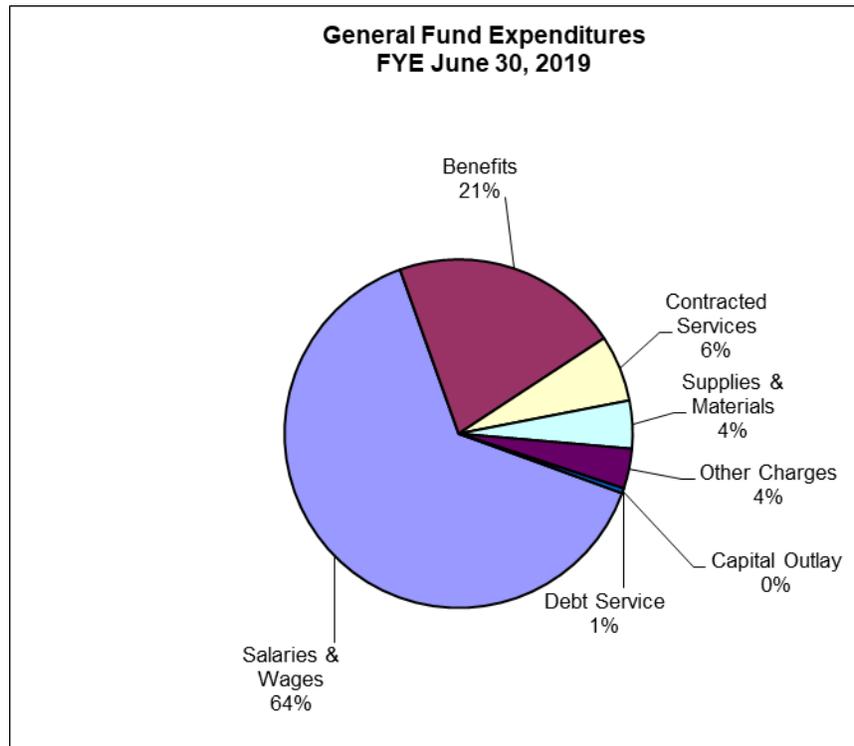
The General Fund is the chief operating fund of the District. At the end of the fiscal year, the total fund balance of the General Fund was \$4,683,713. The unassigned fund balance of \$4,677,806 million is available for spending at the District's discretion, \$0 is classified as "nonspendable" and the remaining fund balance of \$5,907 is assigned for special programs. As a measure of liquidity, the unassigned fund balance represents 9.14% of total General Fund expenditures.

Expenditures exceeded revenues for the fiscal year, which resulted in a decrease to the fund balance of \$1,253,133 due to mold remediation expenditures at Liberty Elementary School and refund of prior year property tax revenues to Vanderbilt University pursuant to their successful appeal to the State Board of Equalization.

The District is a service entity and as such is labor intensive. As the graph on the next page illustrates, 85% of the General Fund expenditures are for employee salaries and benefits.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management’s Discussion and Analysis



General Fund Expenditures - By Object

	2019	2018
Salaries & Wages	\$ 32,730,327	\$ 31,132,952
Benefits	10,860,587	10,076,212
Contracted Services	3,160,527	2,403,905
Supplies & Materials	2,272,379	1,882,787
Other Charges	1,900,079	1,479,027
Capital Outlay	-	-
Debt Service	234,027	211,049
Total	\$ 51,157,926	\$ 47,185,932

Other Funds

The Debt Service Fund is used to account for funds reserved for the retirement of the District’s debt. The fund balance of the District’s Debt Service Fund decreased \$719,595 due to decreased revenues and increased expenditures that were anticipated and reflected in the budget. The expenses of the Debt Service Fund include principal and interest payments for bond indebtedness as well as fiscal agent fees. Debt payments for tax anticipation notes are made through the general fund when needed.

The District operates a food service program in each of its eight schools. The Food Service Fund’s fund balance increased \$39,597 due to revenue exceeding expenditures. Revenues consist of meal and a-la-carte sales as well as reimbursements from the U.S. Department of Agriculture School Nutrition Program. Expenditures consist of food and supply costs in addition to employee labor and benefits.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

The District provides morning and afternoon care for children through the Morning and Afternoon Care (MAC) program. The Community Service Fund's fund balance increased \$16,593 due primarily to program fee adjustments.

The fund balance of the Capital Outlay Fund increased \$29,252,082 due primarily to the issuance of a new series of bonds. Revenues exceeded expenditures that were anticipated and reflected in the budget. Revenue of this fund normally comes from the District's share of county impact fees. Expenditures consisted of various repairs and improvements, and construction in progress.

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with Tennessee law and is based on the modified accrual basis of accounting utilizing encumbrances. The most significant budgeted fund is the General Fund.

The District's original budget for General Fund expenditures totaled \$50.7 million and the estimated revenues and transfers totaled \$48.97 million. Final budgeted expenditures in the General Fund were \$52.3 million. Amendments related primarily to additional services.

During the year, however, the District made an effort to spend conservatively. Consequently, expenditures were less than budgetary estimates by \$1,142,243 at year-end, and actual revenues were more than budgetary estimates by \$451,210. Subsequently, total expenditures exceeded revenues and transfers for the fiscal year, decreasing the fund balance by \$1,253,133.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has \$60.3 million invested in capital assets (net of accumulated depreciation of \$54.4 million). This investment is comprised of 196 acres of land, seven school buildings and two administrative office buildings, land improvements (such as parking lots, athletic fields and lighting and drainage systems and retention ponds), furniture and equipment, more than 30 school buses and maintenance vehicles and equipment.

Acquisitions consisted of various repairs and improvements, construction in progress and various equipment purchases that totaled \$2,140,966. Detailed information regarding capital asset activity is included in the notes to financial statements (see Note 3).

FRANKLIN SPECIAL SCHOOL DISTRICT

Management’s Discussion and Analysis

The District’s capital assets at June 30, 2019 as summarized by location follow:

<u>Location</u>	<u>Owned</u>		<u>Accumulated</u>	<u>2019</u>	<u>2018</u>
	<u>Acreage</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Cost, Net</u>	<u>Cost, Net</u>
Franklin Elementary	16.7	\$ 20,333,753	\$ 7,011,711	\$13,322,042	\$ 12,425,096
Johnson Elementary	13.7	\$ 7,747,083	\$ 3,459,249	4,287,834	4,455,194
Liberty Elementary	37.0	\$ 9,217,233	\$ 5,261,962	3,955,271	4,053,486
Moore Elementary	20.0	\$ 11,798,631	\$ 6,331,253	5,467,378	5,668,578
Freedom Intermediate	25.0	\$ 19,173,501	\$ 10,284,576	8,888,925	9,708,415
Freedom Middle	37.4	\$ 14,916,982	\$ 7,063,669	7,853,313	8,006,817
Poplar Grove	37.3	\$ 23,988,285	\$ 9,580,191	14,408,094	14,831,737
Central Office	2.6	\$ 701,128	\$ 488,059	213,069	225,754
Central Office Annex	6.6	\$ 3,503,055	\$ 2,308,192	1,194,863	867,448
Transportation	-	\$ 2,929,658	\$ 2,334,068	595,590	756,629
Maintenance/Landscaping	-	\$ 387,076	\$ 274,342	112,734	140,920
Total	196.3	\$ 114,696,385	\$ 54,397,272	60,299,113	61,140,074
Less: Outstanding Debt				(61,895,310)	(35,261,013)
Net Investment in Capital Assets				<u>\$ (1,596,197)</u>	<u>\$ 25,879,061</u>

Long-Term Debt

At June 30, 2019, the District had general obligation bonds outstanding of \$57,980,000, a liability for compensated absences of \$476,075 and a net OPEB obligation of \$9,866,672. This is as compared to the June 30, 2018, balances of \$36,377,342 for general obligation bonds, a liability for compensated absences of \$499,000 and a net OPEB obligation of \$12,027,196. The bonds are backed by the full faith and credit of the District. Total long-term debt of the District increased during the fiscal year due a new series of bonds being issued in March 2019.

The District maintains an “Aa1” bond rating from Moody’s for general obligation debt. Additional information about the District’s long-term debt can be found in the notes to financial statements (see Note 6).

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

At the time these financial statements were prepared and audited, the District was aware of circumstances that could significantly affect its financial health in the future:

- In February 6, 2018, the voters of Williamson County elected to increase the local portion of the state sales tax rate from 2.25% to 2.75%, effective April 1, 2018. The impact to FSSD revenues from such increase in 2017-18 was negligible, due to the time it took for state certification of election results and merchant implementation. However, the estimated annual revenues from the education share of increase is approximately \$1,000,000 and has been budgeted for in the 2018-19 FSSD operating budget. The referendum also included a provision requiring all Williamson County municipalities (except Fairview, which was already at 2.75%) to forfeit their share of the proceeds from the sales tax increase to Williamson County schools for capital projects, for three fiscal years beginning July 1, 2018. The inter – local agreements between Williamson County and the municipalities did **not** include FSSD receiving its ADA share of such revenues, which would also be approximately \$1,000,000. **As of the date of this report, FSSD continues to contest its exclusion from this provision of the referendum, and discussions with Williamson County officials are ongoing.**
- In the 2019-20 FSSD Budget, 1.6 cents was moved from the property tax rate for General Purpose to the Debt Service budget to meet FY 2019-20 debt service requirements. Debt service requirements for FY 2020-21 should decrease by approximately \$1.5 million due to the full repayment of the Series 1999 bond issue in FY 2019-20.
- In FY 2018-19, the FSSD General Purpose Fund experienced an almost \$2 million negative impact from the 2018-19 Vanderbilt University Hospital property tax appeal, and 2018-19 mold remediation expenditures associated with Liberty Elementary School. Growth in the sales and property tax base, along with the decrease in 2020-21 debt service requirements referenced above will assist the district in recouping funding lost from these items.

All of these factors will have an impact upon the District's budget for the 2019-2020 fiscal year. Total General Fund appropriations approved by the District's Board of Education total \$51.13 million for the 2019-2020 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those interested in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Associate Director of Schools for Finance and Administration at 507 New Highway 96 West, Franklin, Tennessee 37064.

BASIC FINANCIAL STATEMENTS

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2019

	Primary Government
<u>Assets</u>	Governmental Activities
Cash and cash equivalents	39,427,826
Receivables (net of allowance of uncollectibles):	
Taxes	15,864,905
Due from other governments	21,703,775
Accounts receivable	68,594
Inventories	18,327
Net pension asset	2,217,401
Non depreciable capital assets	2,226,322
Depreciable capital assets net accumulated depreciation	58,072,791
Total Assets	139,599,941
<u>Deferred outflows of resources</u>	
Deferred outflows-pensions	5,863,493
Deferred outflows-OPEB	1,477,833
Deferred loss on bond refunding	1,177,991
Total Deferred Outflows of Resources	8,519,317
<u>Liabilities</u>	
Accounts payable	796,891
Accrued payroll and other liabilities	4,611,568
Retainage payable	32,271
Accrued interest	99,356
Advances in cafeteria charges	19,046
Net pension liability	703,702
Long-term liabilities due within one year	5,705,000
Long-term liabilities due in more than one year	71,058,987
Total Liabilities	83,026,821
<u>Deferred inflows of resources</u>	
Deferred inflows-pensions	3,457,604
Deferred inflows-OPEB	3,104,334
Deferred inflows for property taxes	35,367,482
Total Deferred Inflows of Resources	41,929,420
<u>Net Position</u>	
Net investment in capital assets	(1,596,197)
Restricted for capital outlays	29,681,590
Unrestricted	(4,922,376)
Total Net Position	\$ 23,163,017

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Position
Functions / Programs:					Primary Governmental Activities
Primary Government: Governmental Activities:					
Regular instruction	\$ 34,818,295	\$ 308,186	\$ 17,177,531	\$ 782,381	\$ (16,550,197)
Special needs instruction	6,918,378	-	272,913	-	(6,645,465)
Attendance and health	722,716	-	-	-	(722,716)
Transportation	1,827,890	-	-	-	(1,827,890)
Plant operation and maintenance	6,921,488	-	-	-	(6,921,488)
Food service	2,326,394	725,481	1,476,327	-	(124,586)
Community service	1,433,721	1,292,452	103,022	-	(38,247)
Administration	2,854,490	-	-	-	(2,854,490)
Interest of debt	2,373,833	-	-	-	(2,373,833)
Total Governmental Activities	<u>\$ 60,197,205</u>	<u>\$ 2,326,119</u>	<u>\$ 19,029,793</u>	<u>\$ 782,381</u>	<u>\$ (38,058,912)</u>
General Revenues:					
Property taxes					21,448,120
County shared taxes					18,114,753
Unrestricted investment earnings and rental income					460,044
Other					320,544
					<u>40,343,461</u>
					Change in net position
					2,284,549
					Net position - beginning of year
					<u>20,878,468</u>
					Net position - end of year
					<u>\$ 23,163,017</u>

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2019

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 7,822,229	\$ 30,874,462	\$ 619,466	\$ 111,669	\$ 39,427,826
Taxes receivable	15,864,905	-	-	-	15,864,905
Due from other governments	14,037,881	72,755	6,989,513	603,626	21,703,775
Receivables	48,966	-	-	19,628	68,594
Inventory	-	-	-	18,327	18,327
Due from other funds	373,019	-	-	-	373,019
Total Assets	\$ 38,147,000	\$ 30,947,217	\$ 7,608,979	\$ 753,250	\$ 77,456,446
 <u>Liabilities</u>					
Accounts payable	183,283	613,608	-	-	796,891
Accrued liabilities	4,269,875	-	-	341,693	4,611,568
Retainage payable	-	32,271	-	-	32,271
Due to other funds	-	-	-	373,019	373,019
Advance of cafeteria charges	-	-	-	19,046	19,046
Total Liabilities	4,453,158	645,879	-	733,758	5,832,795
 <u>Deferred inflows of resources</u>					
Deferred inflows for property taxes	29,010,129	-	6,947,456	-	35,957,585
Total Deferred Inflows of Resources	29,010,129	-	6,947,456	-	35,957,585
 <u>Fund Balances</u>					
Nonspendable:					
Inventory	-	-	-	18,327	18,327
Restricted:					
Restricted for Capital Outlay	-	29,681,590	-	-	29,681,590
Committed:					
Committed for Debt Service	-	-	661,523	-	661,523
Committed for Capital Outlay	-	619,748	-	-	619,748
Assigned:					
Assigned for Education (Young Scholars)	5,907	-	-	-	5,907
Unassigned	4,677,806	-	-	1,165	4,678,971
Total Fund Balances	4,683,713	30,301,338	661,523	19,492	35,666,066
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 38,147,000	\$ 30,947,217	\$ 7,608,979	\$ 753,250	\$ 77,456,446

FRANKLIN SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to the Statement of Net Position of Governmental Activities

June, 30 2019

Amounts reported for fund balance - total governmental funds		\$ 35,666,066
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		60,299,113
Net pension asset (liability) that is not due and payable in the current period, therefore, are not reported in the funds.		1,140,680
Deferred outflow of resources that is a consumption of net position that is applicable to a future reporting period.		
Employer contributions subsequent to the measurement date of the Net pension liability		5,863,493
OPEB		1,477,833
Deferred loss on bond refunding		1,177,991
Deferred inflow of resources in an acquisition of net position that is applicable to a future reporting period.		
County collected and shared taxes		590,103
OPEB		(3,104,334)
Changes in net pension liability not included in pension expense		(3,084,585)
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		 (99,356)
 Loss on bond refunding discounts and premiums are amortized as a component of interest over the life of the bonds on the statement of net position.		 (8,441,240)
 Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.		
General long-term bonds and notes	\$ (57,980,000)	
Other post employment benefits	(9,866,672)	
Compensated absences	(476,075)	(68,322,747)
	<hr/>	<hr/>
Net position of governmental activities		<u><u>\$ 23,163,017</u></u>

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2019

<u>Revenues</u>	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Taxes	15,141,124	\$ -	\$ 6,264,527	\$ -	\$ 21,405,651
Intergovernmental	33,943,651	782,381	-	3,196,797	37,922,829
Charges for services	308,186	-	-	2,141,958	2,450,144
Uses of money and property	178,861	-	-	-	178,861
Other	142,729	238,313	42,870	53,790	477,702
Total Revenue	<u>49,714,551</u>	<u>1,020,694</u>	<u>6,307,397</u>	<u>5,392,545</u>	<u>62,435,187</u>
 <u>Expenditures</u>					
Current:					
Regular instruction	32,639,272	1,195,415	-	726,245	34,560,932
Special needs instruction	6,132,467	-	-	787,761	6,920,228
Attendance and health	719,168	-	-	-	719,168
Transportation	1,679,951	-	-	-	1,679,951
Plant operation and maintenance	4,762,865	-	-	-	4,762,865
Food service	-	-	-	2,286,236	2,286,236
Community service	-	-	-	1,432,671	1,432,671
Administration	4,990,176	-	155,474	21,000	5,166,650
Debt service	234,027	-	7,154,184	-	7,388,211
Capital outlay	-	1,670,203	-	-	1,670,203
Total Expenditures	<u>51,157,926</u>	<u>2,865,618</u>	<u>7,309,658</u>	<u>5,253,913</u>	<u>66,587,115</u>
Excess (deficiency) revenues over expenditures	<u>(1,443,375)</u>	<u>(1,844,924)</u>	<u>(1,002,261)</u>	<u>138,632</u>	<u>(4,151,928)</u>
 <u>Other Financing Sources (Uses)</u>					
Sale of Property/Equipment	107,800	-	-	-	107,800
Transfers from other funds	82,442	-	282,666	-	365,108
Transfers to other funds	-	(282,666)	-	(82,442)	(365,108)
Bond Proceeds	-	26,500,000	-	-	26,500,000
Bond Premium	-	5,038,672	-	-	5,038,672
Bond Costs	-	(159,000)	-	-	(159,000)
Total Other Financing Sources (Uses)	<u>190,242</u>	<u>31,097,006</u>	<u>282,666</u>	<u>(82,442)</u>	<u>31,487,472</u>
Net Change in Fund Balance	(1,253,133)	29,252,082	(719,595)	56,190	27,335,544
Fund Balance, Beginning of Year	5,936,846	1,049,256	1,381,118	(33,483)	8,333,737
Change in inventory reserve	-	-	-	(3,215)	(3,215)
Fund Balance, End of Year	<u>\$ 4,683,713</u>	<u>\$ 30,301,338</u>	<u>\$ 661,523</u>	<u>\$ 19,492</u>	<u>\$ 35,666,066</u>

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2019

Amounts reported for net change in fund balance - total governmental funds \$ 27,335,544

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.

Cost of assets acquired	\$ 2,140,966	
Depreciation expense	<u>(2,963,423)</u>	(822,457)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

County collected and shared taxes		46,567
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Net change in pension assets/liabilities and expenditures that are deferred or capitalized for the statement of activities.

4,256,853

Net change in bond loss that is deferred for the statement of activities

(185,075)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position.

Bond Proceeds	\$ (26,500,000)	
Bond Premium	(5,038,672)	
Current year principal payments	5,690,000	
Amortization of debt premium	<u>527,405</u>	(25,321,267)

Interest is accrued on the outstanding bonds in the statement of activities, whereas in the governmental funds, an interest expenditure is reported when due.

(66,294)

Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Change in reserve for inventory	\$ (3,215)	
Compensated absences	(22,925)	
Other post employment benefits	(2,140,524)	
Accreted interest	<u>(792,658)</u>	<u>(2,959,322)</u>

Change in net position of governmental activities

\$ 2,284,549

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	\$15,178,253	\$ 15,178,253	\$ 14,986,300	\$ (191,953)
Property tax - prior year	140,000	140,000	78,244	(61,756)
Property tax - pickup	55,000	55,000	43,634	(11,366)
Interest and penalty on delinquent taxes	25,000	25,000	32,946	7,946
Total special school district taxes	<u>15,398,253</u>	<u>15,398,253</u>	<u>15,141,124</u>	<u>(257,129)</u>
Intergovernmental revenue				
County Revenue:				
Property tax - current year	11,869,100	11,869,100	12,125,079	255,979
Property tax - prior year	30,000	30,000	38,583	8,583
Taxes - other	91,000	91,000	98,584	7,584
In lieu of tax payments	20,000	20,000	55,681	35,681
Interest and penalty on delinquent taxes	20,000	20,000	22,004	2,004
Local sales tax	5,800,000	5,800,000	5,770,723	(29,277)
Total county revenue	<u>17,830,100</u>	<u>17,830,100</u>	<u>18,110,654</u>	<u>280,554</u>
State Funds:				
Basic education program	14,694,000	14,694,000	14,708,000	14,000
Career ladder	105,000	105,000	110,473	5,473
On-behalf contribution OPEB	-	-	180,298	180,298
Other state funds	422,904	552,204	626,542	74,338
Total state funds	<u>15,221,904</u>	<u>15,351,204</u>	<u>15,625,313</u>	<u>274,109</u>
Federal Funds:				
Education of handicapped	-	207,684	207,684	-
Total federal funds received	<u>-</u>	<u>207,684</u>	<u>207,684</u>	<u>-</u>
Total Intergovernmental revenue	<u>33,052,004</u>	<u>33,388,988</u>	<u>33,943,651</u>	<u>554,663</u>
Charges for services				
Tuition - out-of-district students	54,000	54,000	41,984	(12,016)
Tuition summer school	240,000	240,000	196,299	(43,701)
Tuition other	-	-	28,799	28,799
Other Charges	35,100	35,100	41,104	6,004
Total charges for services	<u>329,100</u>	<u>329,100</u>	<u>308,186</u>	<u>(20,914)</u>
Other Revenue from Local Sources:				
Interest earnings	17,000	17,000	130,406	113,406
Facility rentals	38,000	38,000	48,455	10,455
Other	92,000	92,000	142,729	50,729
Total other revenues	<u>147,000</u>	<u>147,000</u>	<u>321,590</u>	<u>174,590</u>
Total Revenues	<u>\$ 48,926,357</u>	<u>\$ 49,263,341</u>	<u>\$ 49,714,551</u>	<u>\$ 451,210</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget (GAAP Basis), Continued

General Fund

For the Year Ended June 30, 2019

Expenditures:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Regular Instruction:				
Principals and assistant principals	\$ 1,853,892	\$ 1,853,892	\$ 1,861,818	\$ (7,926)
Supervisors	454,869	454,869	466,846	(11,977)
Teachers	17,214,318	17,307,333	17,422,878	(115,545)
Substitute teachers	330,000	337,978	322,679	15,299
Guidance personnel	658,596	658,596	635,047	23,549
Library personnel	503,044	503,044	510,262	(7,218)
Other salaries and wages	2,687,867	2,513,743	2,466,520	47,223
Career ladder program	79,000	79,000	66,433	12,567
Benefits	7,849,408	7,780,385	7,586,467	193,918
Contracted services and consultants	492,918	477,200	483,299	(6,099)
Travel - instructional personnel	2,250	1,837	1,569	268
Instructional materials and supplies	761,632	823,943	770,536	53,407
Other	37,378	48,748	44,918	3,830
Total regular instruction	32,925,172	32,840,568	32,639,272	201,296
Special Needs Instruction				
Supervisor	88,647	88,647	88,828	(181)
Teachers	2,551,982	2,546,982	2,484,048	62,934
Psychological personnel	894,258	894,258	764,658	129,600
Substitute teachers	55,000	60,000	37,288	22,712
Other personnel	751,992	751,992	622,599	129,393
Career ladder	17,500	17,500	11,400	6,100
Contracts	102,000	292,684	234,707	57,977
Instruction materials and supplies	56,000	65,000	66,902	(1,902)
Benefits	1,760,644	1,760,644	1,499,794	260,850
Other	318,688	318,688	322,243	(3,555)
Total special needs instruction	6,596,711	6,796,395	6,132,467	663,928
Attendance and Health:				
Supervisor and other wages	492,192	519,004	518,911	93
Career ladder program	3,000	3,000	3,000	-
Benefits	173,636	173,636	164,176	9,460
Supplies and materials	9,920	21,187	19,923	1,264
Other	6,530	12,830	13,158	(328)
Total attendance and health	685,278	729,657	719,168	10,489
Transportation:				
Bus drivers and supervisors	982,524	952,524	926,058	26,466
Other salaries and wages	108,012	108,012	103,253	4,759
Benefits	443,538	443,538	385,315	58,223
Repairs and maintenance	119,200	119,200	104,975	14,225
Contracted services	-	-	12,227	(12,227)
Fuel	107,350	77,350	93,589	(16,239)
Insurance	35,400	35,400	34,425	975
Other	23,800	23,800	20,109	3,691
Total transportation	1,819,824	1,759,824	1,679,951	79,873

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget (GAAP Basis), Continued

General Fund

For the Year Ended June 30, 2019

Expenditures, Continued:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Plant Operation and Maintenance:				
Supervisors	80,751	80,751	81,921	(1,170)
Custodial services	1,238,758	1,238,758	1,228,923	9,835
Other salaries and wages	391,072	391,072	345,064	46,008
Benefits	680,621	680,621	633,127	47,494
Repairs and maintenance	139,700	247,000	267,039	(20,039)
Other contracted services	116,500	740,500	770,789	(30,289)
Utilities	910,500	995,500	1,007,021	(11,521)
Insurance	110,000	110,000	109,531	469
Other materials and supplies	239,750	318,250	315,725	2,525
Other	3,250	3,250	3,725	(475)
Total plant operation and maintenance	3,910,902	4,805,702	4,762,865	42,837
Administration:				
Director of schools	219,064	219,064	220,957	(1,893)
Accounting	371,543	371,543	369,232	2,311
Other salaries and wages	1,152,227	1,152,230	1,171,704	(19,474)
Benefits	459,490	459,490	411,410	48,080
Travel	31,119	32,749	35,747	(2,998)
Communications	50,000	83,000	77,485	5,515
Board services	506,000	526,000	516,743	9,257
Trustee commission	572,000	596,000	606,385	(10,385)
Insurance	243,156	267,406	268,302	(896)
Professional services	79,000	79,000	84,866	(5,866)
Other contracted services	510,964	526,876	477,492	49,384
Materials and supplies	119,890	115,781	91,264	24,517
Data processing	2,300	2,300	1,008	1,292
On-behalf payments OPEB	-	180,298	180,298	-
Other	433,990	522,161	477,283	44,878
Debt service	-	234,125	234,027	98
Total administration	4,750,743	5,368,023	5,224,203	143,820
Total Expenditures	50,688,630	52,300,169	51,157,926	1,142,243
Excess revenues over (under) expenditures	(1,762,273)	(3,036,828)	(1,443,375)	1,593,453
Other Financing Sources (Uses):				
Sale of property/equipment	-	-	107,800	107,800
Transfer in	45,000	45,000	82,442	37,442
Total Other Financing Sources (Uses)	45,000	45,000	190,242	145,242
Net change in Fund Balance	(1,717,273)	(2,991,828)	(1,253,133)	1,738,695
Fund Balance, Beginning of Year	5,936,846	5,936,846	5,936,846	-
Fund Balance, End of Year	\$ 4,219,573	\$ 2,945,018	\$ 4,683,713	\$ 1,738,695

The notes to the financial statements are an integral part of this statement. See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies

Reporting Entity

The financial statements of Franklin Special School District, Franklin, Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The accompanying statements include all fund types of the Franklin Special School District. The District provides public schools to the Franklin City area for grades kindergarten through eighth. The District is a public and governmental body established by Chapter 563 of the Private Acts of 1949 of the State of Tennessee. The District is operated by six elected board members and an appointed Director of Schools.

In accordance with the Governmental Accounting Standards Board Statement 14, the financial statements of all entities over which the District is financially accountable are included in the General Purpose Financial Statements. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit and the primary government is able to impose its will on the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. There were no components units considered to meet these criteria for the District.

The individual schools operate activity funds which are under the supervision of the principals and are not included in this report. Financial statements for these funds are available at the Board of Education.

Government-wide and Fund Financial Statements

The government-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 and its component units. For the most part, the effect of 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. Franklin Special School District has no business-type activities or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expense of a 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 (i) charges to customers or applicants (including fees and fines) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies-(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. District property taxes are billed and collected by the county. Property taxes as well as shared tax revenues are recognized if remitted to the District within 60 days of year end. Property taxes are assessed by the District each January, however, the taxes are not available until the next fiscal year so the current year assessment is recorded as a deferred inflow of resources and recognized as revenue of the period to which they apply. 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 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. Sales taxes as well as the District's property taxes which are billed and collected by the county and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. 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.

Rents, after school fees, 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 cash is received by the government.

The District reports the following major governmental funds:

The General 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 Projects Fund accounts for financial resources to be used for the acquisition, construction, or maintenance of major capital assets as well as significant repairs, maintenance, materials, and supplies.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt including principal, interest and related costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between the government's various functions whose eliminations would distort the direct costs and program revenues reported for the various functions concerned.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies-(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Amounts reported as program revenues include (i) charges to customers or students (including fines and fees) for goods, services, or privileges provided; (ii) operation grants and contributions; (iii) capital grants and contributions. General revenues include all taxes internally dedicated resources.

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

Cash, Cash Equivalents and Investments

The District is authorized to deposit funds in local banks and purchase certificates of deposit in local banks as well as participate in the Local Government Investment Pool administered by the State of Tennessee. The pool contains investments in certificates of deposits, U.S. Treasury securities and Repurchase Agreements backed by the U.S. Treasury Securities. The investment pool is administered by the Treasurer of 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 Franklin Special School District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered to pay an assessment to cover any deficiency.

Cash and cash equivalents consist of cash, savings accounts and short term certificates of deposit with an original maturity of three months or less. Due to liquidity, the District considers the funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. The fair value of the position in the investment pool is the same as the value of the pool shares.

Inventory

Inventories have been valued at lower of cost or market using the first-in, first-out method (FIFO). Inventory is accounted for using the purchase method in the fund financial statements and is expensed when purchased and adjustments are made to the beginning fund balance to record and report changes in inventory. Inventory consists primarily of food and supplies.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All trade receivables and property tax receivables are shown net of an allowance for uncollectibles.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, streets and sidewalks, and drainage systems are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies-(Continued)

Capital Assets

All capital assets are valued at historical cost or estimated at historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-50 years
Improvements	10-50 years
Equipment	5-20 years
Furniture and fixtures	5-20 years

Interfund Transactions

Transactions which constitute reimbursement of expenditures initially made from the fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered residual equity transfers and all other transfers are treated as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has sources from pensions, bond refunding and other post-employment benefits that qualify for reporting in this category. These amounts are deferred and recognized as an expense of resources in the period the amounts are consumed.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has revenue sources from property taxes, pensions, and other post-employment benefits that qualify for reporting in this category. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies-(Continued)

Compensated Absences

General policy of the District permits the accumulation of unused sick leave; however, payments for accumulated sick leave upon termination are not permitted. District policy does permit payments upon retirement if certain guidelines are met. Employees are required to take vacations annually with no carryover or payment of unused vacation days allowed. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee terminations or retirements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond and note premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the deferred loss on refunding and applicable discounts and premiums. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, 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. Premiums received on debt issuance are 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.

Pensions

Teacher Retirement Plan of the Tennessee Consolidated Retirement System

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

Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) Summary of Significant Accounting Policies-(Continued)

Pensions – (Continued)

Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System

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

Fund Equity

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance- amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance- amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, the School Board. To be reported as committed, amounts cannot be used for any other purposes unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance-amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance- amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose. Assigned fund balances includes all remaining amounts, except for negative balances that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

1.) **Summary of Significant Accounting Policies-(Continued)**

Fund Equity (continued)

The details of the fund balances are included in the Governmental Funds Balance Sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the School Board or the Assignment has been changed by the Superintendent. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

Net Position

Net position in the government-wide financial statements is divided into three components, net investment in capital assets, restricted and unrestricted. Net investment in capital assets excludes accreted interest of \$3,380,210 on capital appreciation bonds.

Property Taxes

The District is prorated a portion of the county tax levy for the schools based on averaged daily attendance. Taxes are also levied by the District on property within the Special School District boundaries. The county bears the collection responsibilities. Tax revenues are recognized if remitted to the District within 30 days for governmental fund financial statements and 60 days for government-wide financial statements. Taxes are levied October 1 and become delinquent February 28 each year. All taxes on real property are declared a lien on such realty from January 1 of the year the assessments are made. However, since the taxes are not available until the next fiscal year, the taxes are a deferred inflow of resources. The District tax rates per \$100 of assessed value are as follows:

	<u>2019</u>	<u>2018</u>
General Fund	\$.5864	\$.5564
Debt Service	.2426	.2726

2.) **Deposits and Investments**

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned or the District will not be able to recover the collateral securities in the possession of an outside party. The District’s policy requires deposits to be 105% secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificated of deposit in institutions with and established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as required by state statutes. The School Board approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of District staff.

At June 30, 2019, there were no amounts exposed to custodial credit risk.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

2.) Deposits and Investments-(Continued)

Investments

At June 30, 2019, the District's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Maturity</u>	<u>Rating</u>
Local Government Investment Pool	\$37,393,638	N/A	N/A
Less Liquid Investments (Cash Equivalents)	(\$37,393,638)		
Total Investments per financial statements	<u>\$ -</u>		

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of exposure to fair value losses arising from increasing interest rates.

Credit Risk:

The District's general investment policy allows investments in certificates of deposit in local banks and investment in the Local Government Investment Pool.

Custodial Risk:

The District currently does not invest in securities held by counter parties other than the State Investment Pool.

3.) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

<u>Asset</u>	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,244,827	\$ -	\$ (18,505)	\$ 2,226,322
<u>Capital assets being depreciated:</u>				
Buildings	56,805,314	-	-	56,805,314
Improvements	41,183,149	2,116,156	-	43,299,305
Equipment	9,216,716	24,810	-	9,241,526
Vehicles	3,123,918	-	-	3,123,918
Total	<u>\$112,573,924</u>	<u>\$ 2,140,966</u>	<u>\$ (18,505)</u>	<u>\$ 114,696,385</u>
<u>Accumulated Depreciation</u>				
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Buildings	\$ 27,206,038	\$1,126,572	\$ -	\$ 28,332,610
Improvements	13,201,807	1,481,920	-	14,683,727
Equipment	8,760,530	179,035	-	8,939,565
Vehicles	2,265,475	175,895	-	2,441,370
Total	<u>\$ 51,433,850</u>	<u>\$2,963,422</u>	<u>\$ -</u>	<u>\$ 54,397,272</u>
Governmental Activities Net Capital Assets	<u>\$ 61,140,074</u>			<u>\$ 60,299,113</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

3.) Capital Assets-(Continued)

Depreciation expense, including depreciation on assets acquired through capital leases was charged to functions programs of the primary government as follows:

Instruction	\$ 110,609
Attendance and Health	23
Transportation	161,039
Plant Operation and Maintenance	2,640,535
Food Service	32,568
Administration	18,648
Total	<u>\$2,963,422</u>

4.) Deferred outflows of resources

Deferred outflows of resources consists of a consumption of net assets by the District that is applicable to a future reporting period. At year end the various components of deferred outflows of resources are as follows:

		<u>Government -Wide Statements</u>	<u>Fund Statements</u>
Teacher Legacy Pension Plan	\$4,005,040		
Teacher Pension Plan	199,170		
Public Employee Retirement Plan	<u>1,659,283</u>		
Total		\$ 5,863,493	\$ -
Other post-employment benefits		1,477,833	-
Loss on bond refunding		1,177,991	-
Total		<u>\$ 8,519,317</u>	<u>\$ -</u>

5.) Receivables and Deferred Inflows of Resources

A summary of receivables at June 30, 2019 is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property Taxes	\$ 15,864,905	\$ -	\$ -	\$ -	\$ 15,864,905
Customer and Other	48,966	-	-	19,628	68,594
Other Governments	<u>14,037,881</u>	<u>72,755</u>	<u>6,989,513</u>	<u>603,626</u>	<u>21,703,775</u>
Total	<u>\$ 29,951,752</u>	<u>\$ 72,755</u>	<u>\$6,989,513</u>	<u>\$623,254</u>	<u>\$37,637,274</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

5.) Receivables and Deferred Inflows of Resources-(Continued)

Deferred inflows of resources consist of revenues that are not considered to be available to liquidate liabilities of the current period. At year end the various components of deferred inflow of resources are as follows:

		Government -Wide <u>Statements</u>	Fund <u>Statements</u>
Changes in Net Pension Liability not Included in Pension Expense			
Teacher Legacy Pension Plan	\$3,318,736		
Teacher Retirement Pension Plan	18,942		
Public Employee Retirement Plan	<u>\$ 119,926</u>		
Total		\$ 3,457,604	\$ -
Other post-employment benefits		3,104,334	
Unlevied Property Taxes (Unavailable)		22,223,758	22,223,758
Unlevied County Taxes (Unavailable)		13,143,724	13,143,724
County Collected and Shared (Unavailable)		-	590,103
		<u>\$41,929,420</u>	<u>\$35,957,585</u>

6.) Long-Term Debt and Other Obligations Payable

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general school purposes.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Accreted Interest</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds	\$36,377,342	\$26,500,000	\$ 792,658	\$ 5,690,000	\$57,980,000	\$5,705,000
Compensated Absences	499,000	-	-	22,925	476,075	-
Total	<u>\$36,876,342</u>	<u>\$26,500,000</u>	<u>\$ 792,658</u>	<u>\$ 5,712,925</u>	<u>\$58,456,075</u>	<u>\$5,705,000</u>
Discounts/Premiums	3,402,568				8,441,240	
	40,278,910				66,897,315	
Net OPEB obligation	12,027,196				9,866,672	
	<u>\$52,306,106</u>				<u>\$76,763,987</u>	

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

6.) Long-Term Debt and Other Obligations Payable-(Continued)

Long term debt payable at June 30, 2019 is comprised of the following:

1999 Series limited tax school capital appreciation bonds issued June 1999 With interest rates ranging 3.8% to 5.2%	\$ 4,845,000
2012 Series limited tax school refunding bonds issued May 2012 With interest rate ranging from 2% to 4%	1,080,000
2014 Series limited tax school refunding bonds issued September 2014 With interest rate ranging from 2% to 4%	8,365,000
2016 Series limited tax school refunding bonds issued September 2016 With interest rate ranging from 2% to 4%	17,190,000
2019 Series limited tax school bonds issued March 2019 With interest rates ranging from 3% to 5%	<u>26,500,000</u>
	<u>\$ 57,980,000</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2019 including interest payments as follows:

<u>Year</u>	<u>Bonds</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,324,790	\$ -	\$ 5,828,178	\$ 8,152,968
2021	2,890,000	-	2,422,168	5,312,168
2022	2,970,000	-	2,335,468	5,305,468
2023	2,730,000	-	2,214,318	4,944,318
2024	2,850,000	-	2,093,168	4,943,168
2025-2029	16,400,000	-	8,310,363	24,710,363
2030-2034	14,960,000	-	4,215,350	19,175,350
2035-2039	<u>9,475,000</u>	<u>-</u>	<u>1,467,500</u>	<u>10,942,500</u>
	\$ 54,599,790	\$ -	\$28,886,513	\$83,486,303
Accreted Interest	<u>3,380,210</u>		<u>(3,380,210)</u>	
	<u>\$ 57,980,000</u>		<u>\$25,506,303</u>	

The District normally liquidated bonds and capital notes from the Debt Service Fund and short term borrowings from the General Fund. Compensated absences and OPEB obligations are generally liquidated from the General Fund.

7.) Pension Plans

A. Teacher Legacy Pension Plan of the 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-andGovernance/Reporting-and-Investment-Policies>.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System-(Continued)

Teachers employed by Franklin 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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The 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 Franklin Special School District for the year ended June 30, 2019 to the Teacher Legacy Pension Plan were \$2,168,914 which is 10.46 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 (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (assets). At June 30, 2019, the Franklin Special School District reported a liability (asset) of (\$2,037,843) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System-(Continued)

Franklin Special School District’s proportion of the net pension liability was based on Franklin Special School District’s share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, Franklin Special School District’s proportion was 0.579111 percent. The proportion measured as of June 30, 2017 was .603351 percent.

Pension expense (negative pension expense). For the year ended June 30, 2019, Franklin Special School District recognized pension expense (negative pension expense) of (\$539,113).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Franklin Special School District reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 411,917	\$ 2,749,211
Changes in assumptions	1,203,560	-
Net difference between projected and actual earnings on pension plan investments	-	443,520
Changes in proportion of Net Pension Liability (Asset)	220,649	126,005
LEA's contributions subsequent to the Measurement date of June 30, 2018	<u>2,168,914</u>	<u>(not applicable)</u>
Total	<u>\$ 4,005,040</u>	<u>\$ 3,318,736</u>

Franklin Special School District employer contributions of \$2,168,914 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized n pension expense as follows:

Year Ended June 30:	
2020	\$ 464,319
2021	(606,560)
2022	(1,135,436)
2023	(204,932)
2024	-
Thereafter	-

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System-(Continued)

Actuarial assumptions. The total pension liability in the June 30, 2018 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, 2018 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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 of 7.25 percent based on a blending of the three factors described above.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System-(Continued)

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 Franklin 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 Franklin 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Franklin Special School District's proportionate share of the net pension liability (asset)	\$ 15,708,976	\$(2,037,843)	\$(16,720,863)

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, 2019, Franklin Special School District reported a payable of \$298,892 for the outstanding amount of contributions to the Teacher Legacy Pension Plan required at the year ended June 30, 2019.

B. Teacher Retirement Plan of the 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan of the Tennessee Consolidated Retirement System-(Continued)

Teachers employed by Franklin 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.

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.

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 Franklin Special School District for the year ended June 30, 2019 to the Teacher Retirement Plan were \$177,771 which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan of the Tennessee Consolidated Retirement System-(Continued)

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

Pension liabilities (assets). At June 30, 2019, Franklin Special School District reported a liability (asset) of (\$179,558) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Franklin Special School District's proportion of the net pension liability (asset) was based on Franklin Special School District's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, Franklin Special School District's proportion was 0.395914 percent. The proportion measured as of June 30, 2017 was .391343 percent.

Pension Expense (negative pension expense). For the year ended June 30, 2019, Franklin Special School District recognized pension expense of \$61,389.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Franklin Special School District reported deferred outflows 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	\$ 10,170	\$ 7,152
Net difference between projected and actual earnings on pension plan investments	-	10,143
Changes in assumptions	8,471	-
Changes in proportion of Net Pension Liability (Asset)	2,758	1,647
LEA's contributions subsequent to the Measurement date of June 30, 2018	<u>177,771</u>	<u>(not applicable)</u>
Total	<u>\$ 199,170</u>	<u>\$ 18,942</u>

Franklin Special School District's employer contributions of \$177,771 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, 2020. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan of the Tennessee Consolidated Retirement System-(Continued)

Year Ended June 30:

2020	\$	(1,246)
2021		(1,567)
2022		(3,013)
2023		(363)
2024		988
Thereafter		7,658

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, 2018 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, 2018 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		<hr/> 100%

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

B. Teacher Pension Plan of the Tennessee Consolidated Retirement System-(Continued)

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

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

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Franklin 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 Franklin 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Franklin Special School District's proportionate share of the net pension liability (asset)	\$ 27,760	(\$179,558)	(\$332,302)

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, 2019, Franklin Special School District reported a payable of \$38,283 for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2019.

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System

Plan description. Employees of Franklin 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 public ally available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-Investment-Policies>.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System - (Continued)

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.

Employees covered by benefit terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	216
Inactive employees or entitled to but not yet receiving benefits	251
Active employees	<u>245</u>
Total	<u>712</u>

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. Franklin 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, 2019, employer contributions for Franklin Special School District were \$826,340 at a base rate of 9.62% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Franklin Special School District’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Franklin Special School District’s net pension liability (asset) was measured as of June 30, 2018, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System - (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2018 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, 2018 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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 three factors described above.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System - (Continued)

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 Franklin Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/17	\$25,438,892	\$24,571,489	\$ 867,403
Changes for the year:			
Service Cost	739,704		739,704
Interest	1,860,600		1,860,600
Differences between Expected and actual experience	463,364		463,364
Changes in assumptions	-		-
Contributions- employer		793,493	(793,493)
Contributions- employees		412,849	(412,849)
Net investments income		2,045,854	(2,045,854)
Benefits paid including refunds including refunds of employee contributions	(1,030,287)	(1,030,287)	
Administrative expense		(24,827)	24,827
Other Changes		-	-
Net changes	2,033,381	2,197,082	(163,701)
Balance at 6/30/18	\$27,472,273	\$26,768,571	\$ 703,702

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Franklin 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:

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System - (Continued)

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Franklin Special School District's net pension liability (asset)	\$4,047,240	\$ 703,702	(\$2,099,512)

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

Pension expense (negative pension expense). For the year ended June 30, 2019 Franklin Special School District recognized pension expense (negative pension expense) of \$645,206.

Deferred outflow of resources and inflow of resources. For the year ended June 30, 2019, Franklin 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	\$ 576,506	\$ -
Net difference between projected and actual earnings on pension plan investments	-	119,926
Changes in Assumption	256,437	-
Contributions subsequent to the Measurement date of June 30, 2018	<u>826,340</u>	<u>(not applicable)</u>
Total	<u>\$ 1,659,283</u>	<u>\$ 119,926</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized (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:

Year Ended June 30:	
2020	\$ 530,163
2021	339,234
2022	(104,592)
2023	(51,788)
2024	-
Thereafter	-

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan (Legacy) of the Tennessee Consolidated Retirement System - (Continued)

Payable to the Pension Plan

At June 30, 2019, Franklin Special School District reported a payable of \$111,041 for the outstanding amount of contributions to the public employee retirement plan required at the year ended June 30, 2019.

8.) Commitments and Contingencies

Litigation

There were no pending lawsuits in which the District was involved, which would have material effect on the financial statements.

9.) Flexible Benefit Plan

The District allows its employees to participate in a Cafeteria Plan under Section 125 of the Internal Revenue Code. Employees have the opportunity to choose among various tax free benefits and to have those benefits paid directly by the District. The plan is funded entirely by salary conversion amounts. Any forfeiture must be used to pay costs of the plan, reduce costs of benefits or refund pro rata to participants.

10.) Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained coverage from commercial insurance carriers. These insurance coverages minimize the loss from risks to which the District is exposed. There were no significant reductions in insurance coverage and settled claims for losses have not significantly exceeded insurance coverage in any of the past three years.

11.) On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on behalf of the District. These payments are made by the state to the Teacher Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State Annual Financial Report. Estimated payments made by the state to the Teacher Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2019, were \$140,650 and \$39,648 respectively. The District has recognized these on-behalf payments as revenues and expenditures in the General Purpose Fund.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

12.) Budget Compliance and Accountability

Franklin Special School District is required by State statute to adopt annual budgets. The General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds' budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Board of Education and any authorized revisions.

Appropriations lapse at the end of each fiscal year. The District's budgetary basis is consistent with generally accepted accounting principles.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury, State of Tennessee.

Also, during the fiscal year, the expenditure budgets were amended by increasing appropriations in the General Fund by \$1,611,539, primarily to fund administrative costs.

13.) Other Postemployment Benefits (OPEB)

A. Closed Teacher Group Insurance Plan

Plan Description

Employees of Franklin 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 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 Franklin Special School District offer 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 state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree's 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.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) Other Postemployment Benefits (OPEB)-(Continued)

A. Closed Teacher Group Insurance Plan-(Continued)

Employees covered by benefit terms

At July 1, 2018, the following employees of Franklin Special School District were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>456</u>
Total	<u>535</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 Franklin Special School District paid \$769,577 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2018 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 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	7.5 percent for 2019, decreasing annually to an ultimate rate of 3.85 percent for 2050 and later years.
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, 2017, valuations were the same as those employed in the July 1, 2017 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.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) Other Postemployment Benefits (OPEB)-(Continued)

A. Closed Teacher Group Insurance Plan-(Continued)

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 3.62 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 Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TGOP – (expressed in thousands)

	Total OPEB Liability
Balances at June 30, 2017	\$ <u>14,681</u>
Charges for the year:	
Service cost	766
Interest	530
Differences between expected and actual	(3,692)
Change in assumptions	638
Benefit payments	<u>(1,101)</u>
Net changes	<u>(2,857)</u>
Balances at June 30, 2018	\$ <u><u>11,824</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,937
Employer's proportionate share of the collective total OPEB liability	\$ 9,887
Employer's proportion of the collective total OPEB liability	83.61%

The Franklin Special School District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Franklin Special School District's proportionate share of the collective total OPEB liability was based on a projection of the employers 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 1.69% from the prior measurement date. Franklin Special School District recognized \$118,294 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Franklin Special School District's retirees.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) Other Postemployment Benefits (OPEB)-(Continued)

A. Closed Teacher Group Insurance Plan-(Continued)

Changes in assumptions. The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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 (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate. (expressed in thousands)

	1% Decrease	Discount Rate	1% Increase
	<u>(2.62%)</u>	<u>(3.62%)</u>	<u>(4.62%)</u>
Proportionate share of collective total OPEB liability	\$ 10,447	\$ 9,887	\$ 9,347

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 (5.75% decreasing to 2.85%) or 1-percentage-point higher (7.75% decreasing to 4.85%) than the current healthcare cost trend rate. (expressed in thousands)

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	<u>(5.75% decreasing to 2.85%)</u>	<u>(6.75% decreasing to 3.85%)</u>	<u>(7.75% decreasing to 4.85%)</u>
Proportionate share of collective total OPEB liability	\$ 9,013	\$ 9,887	\$ 10,891

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

OPEB Expense. For the fiscal year ended June 30, 2019, Franklin Special School District recognized OPEB expense of \$897,613.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) Other Postemployment Benefits (OPEB)-(Continued)

A. Closed Teacher Group Insurance Plan-(Continued)

Deferred outflows of resources and deferred inflows of resources. For the fiscal year ended June 30, 2019, Franklin Special School District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP – (expressed in thousands)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 2,748
Changes in assumptions	475	357
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.	233	-
Employer payments subsequent to the measurement date	<u>770</u>	<u>-</u>
Total	<u>\$ 1,478</u>	<u>\$ 3,104</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:

TGOP – (expressed in thousands)

Year Ended June 30:

2019	\$	(305.0)
2020		(305.0)
2021		(305.0)
2022		(305.0)
2023		(305.0)
Thereafter		(871.0)

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) **Other Postemployment Benefits (OPEB)-(Continued)**

B. Closed Tennessee Plan

Plan Description

Employees of Franklin Special School 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 TN plan 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 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, 2018, the following employees of Franklin Special School District were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	88
Active employees	315
Total	<u>486</u>

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 Franklin Special School District did not make any payments to the TNP for OPEB benefits as they came due.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) Other Postemployment Benefits (OPEB)-(Continued)

B. Closed Tennessee Plan-(Continued)

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2017 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 8.7 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	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, 2017, valuations were the same as those employed in the July 1, 2017 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 3.62 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 Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TNP – (expressed in thousands)

		<u>Total OPEB Liability</u>
Balances at June 30, 2018	\$	1,140
Charges for the year:		
Service cost		21
Interest		41
Differences between expected and actual		(196)
Change in assumptions		(8)
Benefit payments		(41)
Net changes		(182)
Balances at June 30, 2019	\$	957

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2019

13.) **Other Postemployment Benefits (OPEB)-(Continued)**

B. Closed Tennessee Plan-(Continued)

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$	957
Employer's proportionate share of the collective total OPEB liability	\$	-
Employer's proportion of the collective total OPEB liability		0%

The Franklin Special School District has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Franklin Special School 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 Franklin Special School District's proportion of 0% did not change from the prior measurement date. Franklin Special School District recognized \$23,908 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Franklin Special School District retired employees.

Changes in assumptions. The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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

OPEB Expense. For the fiscal year ended June 30, 2019, Franklin Special School District recognized OPEB expense of \$23,908.

14.) **Deficit Fund Balance**

At June 30, 2019 the Community Service Fund, a non-major governmental fund, had a deficit fund balance of \$77,475, an improvement of \$16,593 from the previous year. The deficit is the result of the district having to utilize non-MAC district employees to fulfill pupil/teacher ratios. The need to do so is driven by difficulties in filling lesser-paid MAC positions. The district will continue to pursue means to offset this and future deficits by: limiting non-critical expenditures, considering fee adjustments; increasing innovative program offerings, imposing caps on enrollment, and/or other options.

15.) **Subsequent Events**

Subsequent events were evaluated through November 22, 2019, when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Teacher Legacy Pension Plan of TCRS

Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Franklin Special School District's proportion of the net pension liability (asset)	\$ 93,556	\$ (93,556)	\$ 3,589,170	\$ (197,407)	\$ (2,037,843)
Franklin Special School District's proportionate share of the net pension liability (asset)	0.575744%	0.575744%	0.574318%	0.603351%	0.579111%
Franklin Special School District's covered payroll	\$ 22,597,828	\$ 22,597,888	\$ 20,731,703	\$ 21,328,137	\$ 20,278,578
Franklin Special School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.00%	-0.41%	17.31%	-93.00%	-10.05%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	100.08%	97.14%	100.14%	101.49%

* 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 68 website for prior year's data, if needed.

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS

Fiscal Year Ended June 30*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Franklin Special School District's proportion of the net pension liability (asset)	0.403554%	0.418332%	0.391343%	0.395914%
Franklin Special School District's proportionate share of the net pension liability (asset)	(\$16,235)	(\$43,550)	(\$103,249)	(\$179,558)
Franklin Special School District's covered payroll	\$838,473	\$1,840,680	\$2,568,530	\$3,459,811
Franklin Special School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	(-2.37%)	-4.02%	-5.19%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

* 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 68 website for prior year's data, if needed.

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions
Teacher Legacy Pension Plan of TCRS

Fiscal Year June 30 Ended

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required	\$ 2,006,692	\$ 1,988,098	\$ 1,874,144	\$ 1,928,064	\$ 1,841,295	\$ 2,168,914
Contribution in relation to the contractually required contribution	<u>2,006,692</u>	<u>1,988,098</u>	<u>1,874,144</u>	<u>1,928,064</u>	<u>1,841,295</u>	<u>2,168,914</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Franklin Special School District's covered payroll	\$ 22,597,828	\$ 21,992,222	\$ 20,731,703	\$ 21,328,137	\$ 20,278,578	\$ 20,735,317
Contributions as a percentage of Franklin Special School District's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%

* 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 68 website for prior year's 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 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.

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions
Teacher Retirement Plan of TCRS

Fiscal Year ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 20,962	\$ 46,076	\$ 102,742	\$ 56,421	\$ 177,770
Contribution in relation to the actuarially determined contribution	<u>33,539</u>	<u>73,627</u>	<u>102,742</u>	<u>138,393</u>	<u>177,770</u>
Contribution deficiency (excess)	<u>\$ (12,577)</u>	<u>\$ (27,551)</u>	<u>\$ -</u>	<u>\$ (81,972)</u>	<u>\$ -</u>
Franklin Special School District's covered payroll	\$ 838,473	\$ 1,840,680	\$ 2,568,530	\$ 3,459,811	\$ 4,444,257
Contributions as a percentage of Franklin Special School District's covered payroll	2.50%	4.00%	4.00%	4.00%	4.00%

* 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 68 website for prior year's 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 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.

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Changes of Net Pension Liability (Asset) and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018
Service Cost	\$ 670,481	\$ 664,158	\$ 669,087	\$ 685,415	\$ 739,704
Interest	1,419,298	1,542,675	1,631,559	1,741,161	1,860,600
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	285,850	(220,585)	41,085	437,423	463,364
Changes of assumptions	-	-	-	512,875	-
Benefit payments, including refunds of employee contributions	(693,788)	(754,786)	(857,322)	(936,086)	(1,030,287)
Net change in total pension liability	1,681,841	1,231,462	1,484,409	2,440,788	2,033,381
Total pension liability-beginning	18,600,392	20,282,233	21,513,695	22,998,104	25,438,892
Total pension liability-ending (a)	<u>\$ 20,282,233</u>	<u>\$ 21,513,695</u>	<u>\$ 22,998,104</u>	<u>\$ 25,438,892</u>	<u>\$27,472,273</u>
Plan fiduciary net position					
Contributions-employer	\$ 622,226	\$ 647,523	\$ 665,451	\$ 712,256	\$ 793,493
Contributions-employee	360,086	362,077	371,762	397,910	412,849
Net investment income	2,860,796	629,840	564,502	2,493,363	2,045,854
Benefit payments, including refunds of employee contributions	(693,788)	(754,786)	(857,322)	(936,086)	(1,030,287)
Administrative expense	(9,983)	(13,002)	(19,574)	(21,696)	(24,827)
Other	-	-	8,250	194	-
Net change in plan fiduciary net positions	3,139,337	871,652	733,069	2,645,941	2,197,082
Plan fiduciary net position-beginning	17,181,490	20,320,827	21,192,479	21,925,548	24,571,489
Plan fiduciary net position-ending (b)	<u>\$ 20,320,827</u>	<u>\$ 21,192,479</u>	<u>\$ 21,925,548</u>	<u>\$ 24,571,489</u>	<u>\$26,768,571</u>
Net Pension Liability (asset)-ending (a)-(b)	<u>\$ (38,594)</u>	<u>\$ 321,216</u>	<u>\$ 1,072,556</u>	<u>\$ 867,403</u>	<u>\$ 703,702</u>
Plan fiduciary net position as a percentage of total pension liability	100.19%	98.51%	95.34%	96.59%	97.44%
Covered-employee payroll	\$ 7,201,672	\$ 7,233,296	\$ 7,436,598	\$ 7,958,162	\$ 8,256,942
Net pension liability (asset) as a percentage of covered-employee payroll	-0.54%	4.44%	14.42%	10.90%	8.52%

* 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 year's data, if needed.

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of 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>
Actuarially determined contribution	\$ 622,226	\$ 647,523	\$ 665,451	\$ 711,460	\$ 793,493	\$ 826,340
Contributions in relation to the actuarially determined contribution	622,226	647,523	665,451	712,256	793,493	826,340
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,201,672	\$ 7,233,296	\$ 7,436,598	\$ 7,958,162	\$ 8,256,942	\$ 8,589,809
Contributions as a percentage covered-employee payroll	8.64%	8.95%	8.95%	8.95%	9.61%	9.62%

* 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 68 website for prior year's data, if needed.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	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	2.5 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 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.

FRANKLIN SPECIAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30

**Schedule of Changes in Franklin Special School Districts' Proportionate Share of Collective OPEB Liability
 and Related Ratios (dollar amount in thousands)**

Closed Teacher Group OPEB Plan

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 816	\$ 766
Interest	446	530
Differences between expected and actual experience	-	(3,692)
Changes of assumptions	(554)	638
Benefit payments	(978)	(1,101)
Net change in total OPEB liability	<u>\$ (270)</u>	<u>\$ (2,857)</u>
Total OPEB liability - beginning	<u>14,951</u>	<u>14,681</u>
Total OPEB liability - ending (a)	<u><u>\$ 14,681</u></u>	<u><u>\$11,824</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 2,654	\$ 1,937
Employer's proportionate share of the collective total OPEB liability	\$ 12,027	\$ 9,887
Covered-employee payroll	23,854	21,181
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	50.42%	46.68%

Notes 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.

FRANKLIN SPECIAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30

**Schedule of Changes in Franklin Special School Districts' Proportionate Share of Collective OPEB
 Liability and Related Ratios (dollar amount in thousands)**

Closed Tennessee Plan

	2018	2019
Total OPEB Liability		
Service cost	\$ 25	\$ 21
Interest	36	41
Differences between expected and actual experience	-	(196)
Changes of assumptions	(106)	(8)
Benefit payments	(39)	(41)
Net change in total OPEB liability	\$ (84)	\$ (182)
Total OPEB liability - beginning	1,224	1,140
Total OPEB liability - ending (a)	\$1,140	\$ 957
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$1,140	\$ 957
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ -
Covered-employee payroll	23,854	21,181
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	0%	0%

Notes 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.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENT FUNDS

Food Service Funds – This fund accounts for the operation of the school cafeterias.

Federal Projects Fund – This fund accounts for the federal and state grant revenues and expenditures.

Community Service Fund – This fund accounts for the operation of the before and after school child care program.

FRANKLIN SPECIAL SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2019

	Special Revenues Funds			
<u>Assets</u>	Food Service Fund	Federal Projects Fund	Community Service Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 111,669	\$ -	\$ -	\$ 111,669
Accounts receivable	-	-	19,628	19,628
Due from other governments	78,936	517,491	7,199	603,626
Inventory	18,327	-	-	18,327
	\$ 208,932	\$ 517,491	\$ 26,827	\$ 753,250
 <u>Liabilities</u>				
Accrued payroll and other liabilities	\$ 92,919	\$ 144,472	\$ 104,302	\$ 341,693
Due to other funds	-	373,019	-	373,019
Advance of cafeteria charges	19,046	-	-	19,046
	111,965	517,491	104,302	733,758
 <u>Fund Balances:</u>				
Nonspendable:				
Inventory	18,327	-	-	18,327
Unassigned	78,640	-	(77,475)	1,165
Total Fund Balance	96,967	-	(77,475)	19,492
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 208,932	\$ 517,491	\$ 26,827	\$ 753,250

FRANKLIN SPECIAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, & Changes in Fund Balance

Nonmajor Governmental Funds

June 30, 2019

	Special Revenues Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Federal Projects Fund	Community Service Fund	
<u>Revenues</u>				
Intergovernmental:				
USDA and cafeteria related funds	\$ 1,476,327	\$ -	\$ -	\$ 1,476,327
Federal instruction, learning center and safety funds	-	770,916	103,022	873,938
Special education/IDEA funds	-	846,532	-	846,532
Charges for services:				
Cafeteria charges	725,481	-	-	725,481
Tuition and fees	-	-	1,292,452	1,292,452
Rebates and Other	124,025	-	-	124,025
Other	-	-	53,790	53,790
Total Revenues	<u>2,325,833</u>	<u>1,617,448</u>	<u>1,449,264</u>	<u>5,392,545</u>
Expenditures				
Food service:				
Labor	876,396	-	-	876,396
Employee benefits	275,198	-	-	275,198
Food	946,507	-	-	946,507
Other Costs	188,135	-	-	188,135
Regular instruction:				
Labor	-	432,678	-	432,678
Employee benefits	-	121,421	-	121,421
Supplies and materials	-	82,609	-	82,609
Other costs	-	89,537	-	89,537
Special needs instruction:				
Labor	-	467,999	-	467,999
Employee benefits	-	278,182	-	278,182
Supplies and materials	-	24,171	-	24,171
Other Costs	-	17,409	-	17,409
Program Costs:				
Labor	-	-	1,026,406	1,026,406
Employee benefits	-	-	270,207	270,207
Supplies and materials	-	21,000	-	21,000
Other costs	-	-	136,058	136,058
Total Expenditures	<u>2,286,236</u>	<u>1,535,006</u>	<u>1,432,671</u>	<u>5,253,913</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,597</u>	<u>82,442</u>	<u>16,593</u>	<u>138,632</u>
Other Financing Sources (Uses):				
Transfer in (out)	-	(82,442)	-	(82,442)
Total Expenditures	<u>-</u>	<u>(82,442)</u>	<u>-</u>	<u>(82,442)</u>
Net Change in Fund Balance	39,597	-	16,593	56,190
Fund Balance, Beginning of Year	60,585	-	(94,068)	(33,483)
Change in reserve for inventory	(3,215)	-	-	(3,215)
Fund Balance, End of Year	<u>\$ 96,967</u>	<u>\$ -</u>	<u>\$ (77,475)</u>	<u>19,492</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

Food Service Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
USDA reimbursements	\$ 1,321,866	\$ 1,321,866	\$ 1,248,028	\$ (73,838)
State matching	195,505	195,505	228,299	32,794
Total intergovernmental	1,517,371	1,517,371	1,476,327	(41,044)
Charges for services				
Student lunches	444,868	444,868	464,625	19,757
Adult lunches	48,000	48,000	47,456	(544)
Student breakfast	72,760	72,760	72,102	(658)
A-la-carte sales	140,000	140,000	141,298	1,298
Rebates and other	140,000	140,000	124,025	(15,975)
Total charges for services	845,628	845,628	849,506	3,878
 Total Revenues	2,362,999	2,362,999	2,325,833	(37,166)
 Expenditures:				
Food	961,459	961,459	946,507	14,952
Labor	859,409	859,409	876,396	(16,987)
Fringe benefits	287,921	287,921	275,198	12,723
Supplies	157,500	157,500	130,855	26,645
Transportation	8,000	8,000	7,367	633
Repairs and maintenance	19,000	19,000	17,204	1,796
Other	63,000	63,000	32,709	30,291
 Total Expenditures	2,356,289	2,356,289	2,286,236	70,053
 Excess (deficiency) revenues over expenditures (Net change in Fund Balance)	6,710	6,710	39,597	32,887
 Fund Balance, Beginning of Year	60,585	60,585	60,585	-
Change in Reserve for Inventory	-	-	(3,215)	(3,215)
Fund Balance, End of Year	\$ 67,295	\$ 67,295	\$ 96,967	\$ 29,672

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

Federal Projects Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Title I	\$ 487,316	\$ 574,328	\$ 519,233	\$ (55,095)
Title II	94,798	109,972	108,882	(1,090)
Title III	43,087	66,092	65,229	(863)
IDEA - part B and preschool	817,208	847,637	846,532	(1,105)
Other Federal through State	13,156	78,327	77,572	(755)
Total Revenues	<u>1,455,565</u>	<u>1,676,356</u>	<u>1,617,448</u>	<u>(58,908)</u>
Expenditures:				
Regular instruction:				
Teachers	50,000	75,825	75,876	(51)
Other salaries	371,434	360,781	356,802	3,979
Benefits	126,185	126,470	121,421	5,049
Instructional supplies and materials	21,204	105,304	82,609	22,695
Other	49,378	119,611	89,537	30,074
Total regular instruction	<u>618,201</u>	<u>787,991</u>	<u>726,245</u>	<u>61,746</u>
Special needs instruction:				
Teachers and assistants	456,103	457,006	467,999	(10,993)
Benefits	282,349	280,655	278,182	2,473
Supplies	8,932	25,423	24,171	1,252
Contracted services	8,336	16,482	9,409	7,073
Other	2,000	8,000	8,000	-
Total special needs instruction	<u>757,720</u>	<u>787,566</u>	<u>787,761</u>	<u>(195)</u>
Program costs:				
Supplies and materials	-	21,900	21,000	900
Total program costs	<u>-</u>	<u>21,900</u>	<u>21,000</u>	<u>900</u>
Total Expenditures	<u>1,375,921</u>	<u>1,597,457</u>	<u>1,535,006</u>	<u>62,451</u>
Excess (deficiency) revenues over expenditures	79,644	78,899	82,442	3,543
Other Financing Sources (Uses):				
Transfers out	(79,644)	(85,358)	(82,442)	(2,916)
Total Other Financing Sources (Uses)	<u>(79,644)</u>	<u>(85,358)</u>	<u>(82,442)</u>	<u>(2,916)</u>
Net change in fund balance	-	(6,459)	-	6,459
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

Community Service Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Learning center grant	\$ -	\$ 134,899	\$ 103,022	\$ (31,877)
Charges for services				
Tuition and fees	1,250,442	1,351,931	1,292,452	(59,479)
Total charges for services	<u>1,250,442</u>	<u>1,486,830</u>	<u>1,395,474</u>	<u>(91,356)</u>
Other				
Miscellaneous	26,000	62,000	53,790	(8,210)
Total other	<u>26,000</u>	<u>62,000</u>	<u>53,790</u>	<u>(8,210)</u>
Total Revenues	<u>1,276,442</u>	<u>1,548,830</u>	<u>1,449,264</u>	<u>(99,566)</u>
Expenditures:				
Labor	847,112	1,019,442	1,026,406	(6,964)
Fringe benefits	232,630	264,497	270,207	(5,710)
Supplies	24,950	64,703	41,079	23,624
Food	40,370	49,970	44,860	5,110
Other	29,400	56,150	50,119	6,031
Total Expenditures	<u>1,174,462</u>	<u>1,454,762</u>	<u>1,432,671</u>	<u>22,091</u>
Excess (deficiency) revenues over expenditures	101,980	94,068	16,593	(77,475)
Net change in Fund Balance	101,980	94,068	16,593	(77,475)
Fund Balance, Beginning of Year	<u>(94,068)</u>	<u>(94,068)</u>	<u>(94,068)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 7,912</u>	<u>\$ -</u>	<u>\$ (77,475)</u>	<u>\$ (77,475)</u>

FINANCIAL SCHEDULES

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

Capital Projects Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Impact fees	\$ 1,100,000	\$ 1,100,000	\$ 782,381	\$ (317,619)
Total intergovernmental revenues				
Other revenue from local sources:				
Interest earnings	750	750	238,313	237,563
Total Revenues	1,100,750	1,100,750	1,020,694	(80,056)
Expenditures:				
Current:				
Regular instruction	1,399,480	1,685,343	1,195,415	489,928
Total current expenditures	1,399,480	1,685,343	1,195,415	489,928
Capital outlay:	804,250	1,862,096	1,670,203	191,893
Total Expenditures	2,203,730	3,547,439	2,865,618	681,821
Excess (deficiency) revenues over expenditures	(1,102,980)	(2,446,689)	(1,844,924)	(601,765)
Other Financing Sources (Uses):				
Bond Proceeds	-	26,500,000	26,500,000	-
Bond Premium	-	5,038,672	5,038,672	-
Bond Costs	-	(159,000)	(159,000)	-
Transfers In (Out)	-	(282,666)	(282,666)	-
Total Other Financing Sources (Uses):	-	31,097,006	31,097,006	-
Net change in Fund Balance	(1,102,980)	28,650,317	29,252,082	(601,765)
Fund Balance, Beginning of Year	1,049,256	1,049,256	1,049,256	-
Fund Balance, End of Year	\$ (53,724)	\$ (1,397,433)	\$ 30,301,338	\$ 601,765

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Actual and Budget (GAAP Basis)

Debt Service Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	6,279,407	6,279,407	6,200,001	\$ (79,406)
Property tax - prior year	50,000	50,000	31,788	(18,212)
Property tax - pick-up	20,000	20,000	19,096	(904)
Interest and penalty on delinquent taxes	11,500	11,500	13,642	2,142
Total special school district taxes	<u>6,360,907</u>	<u>6,360,907</u>	<u>6,264,527</u>	<u>(96,380)</u>
Other revenue from local sources:				
Interest earnings	4,000	4,000	42,870	38,870
Total Revenues	<u>6,364,907</u>	<u>6,364,907</u>	<u>6,307,397</u>	<u>(57,510)</u>
Expenditures:				
Other:				
Trustee's commission	141,446	173,446	155,474	17,972
Debt Service:				
Principal on bonds, notes, and capital leases	5,690,000	5,690,000	5,690,000	-
Interest on bonds, notes, and capital leases	1,185,068	1,468,068	1,464,184	3,884
Total Debt Service	<u>6,875,068</u>	<u>7,158,068</u>	<u>7,154,184</u>	<u>3,884</u>
Total Expenditures	<u>7,016,514</u>	<u>7,331,514</u>	<u>7,309,658</u>	<u>21,856</u>
Excess (deficiency) revenues over expenditures	(651,607)	(966,607)	(1,002,261)	(35,654)
Other Financing Sources (Uses):				
Transfers In	-	-	282,666	(282,666)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>282,666</u>	<u>(282,666)</u>
Net Change in Fund Balance	(651,607)	(966,607)	(719,595)	(318,320)
Fund Balance, Beginning of Year	<u>1,381,118</u>	<u>1,381,118</u>	<u>1,381,118</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 729,511</u>	<u>\$ 414,511</u>	<u>\$ 661,523</u>	<u>\$ 247,012</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2019

Function and Activity	<u>Land</u>	<u>Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ -	\$ 6,181,875	\$ -	\$ 6,181,875
Attendance and health	-	-	-	32,728	-	32,728
Transportation	-	-	-	52,437	2,904,341	2,956,778
Plant operation and maintenance	2,226,322	43,299,305	56,805,314	229,435	219,577	102,779,953
Community services	-	-	-	56,630	-	56,630
Food service	-	-	-	1,997,701	-	1,997,701
Administration	-	-	-	690,720	-	690,720
	<u>\$ 2,226,322</u>	<u>\$ 43,299,305</u>	<u>\$ 56,805,314</u>	<u>\$ 9,241,526</u>	<u>\$ 3,123,918</u>	<u>\$ 114,696,385</u>

Franklin Special School District

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity

For the Year Ended June 30, 2019

Function and Activity	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Instruction	\$ 6,027,048	\$ -	\$ -	\$ 6,027,048
Attendance and health	32,728	-	-	32,728
Transportation	3,043,317	-	-	3,043,317
Plant operation and maintenance	100,742,226	2,140,966	18,505	102,864,687
Community services	56,630	-	-	56,630
Food service	1,980,090	-	-	1,980,090
Administration	<u>691,885</u>	<u>-</u>	<u>-</u>	<u>691,885</u>
	<u>\$ 112,573,924</u>	<u>\$ 2,140,966</u>	<u>\$ 18,505</u>	<u>\$ 114,696,385</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2019

	<u>Interest Rate</u>	<u>Amount</u>
Major Funds:		
<u>General Fund</u>		
Checking and savings accounts	Various	\$ 1,695,307
Local government investment pool	Various	<u>6,499,941</u>
Total General Fund		<u>8,195,248</u>
 <u>Debt Service Fund</u>		
Checking and savings accounts	Various	311,357
Local government investment pool	Various	<u>308,109</u>
		<u>619,466</u>
 <u>Capital Projects Fund</u>		
Checking and savings accounts	Various	288,874
Local government investment pool	Various	<u>30,585,588</u>
		<u>30,874,462</u>
 Nonmajor Funds:		
<u>Federal Projects Fund</u>		
Checking and savings account		<u>-</u>
 <u>Food Service Fund</u>		
Checking and savings accounts		<u>111,669</u>
 <u>Community Service Fund</u>		
Cash		<u>-</u>
 Total		 <u><u>\$ 39,800,845</u></u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Long-Term Debt Requirements

June 30, 2019

Fiscal Year	1999 Series	2012 Series	2014 Series	2016 Series	2019 Series	Total Principal	Interest	Total Principal & Interest
2020	1,464,790	350,000	510,000			2,324,790	5,828,178	8,152,968
2021	-	360,000	525,000	1,105,000	900,000	2,890,000	2,422,168	5,312,168
2022	-	370,000	535,000	1,140,000	925,000	2,970,000	2,335,468	5,305,468
2023	-		570,000	1,195,000	965,000	2,730,000	2,214,318	4,944,318
2024	-		595,000	1,255,000	1,000,000	2,850,000	2,093,168	4,943,168
2025	-		615,000	1,320,000	1,050,000	2,985,000	1,956,618	4,941,618
2026	-		635,000	1,385,000	1,105,000	3,125,000	1,818,130	4,943,130
2027	-		655,000	1,455,000	1,160,000	3,270,000	1,671,405	4,941,405
2028	-		680,000	1,530,000	1,220,000	3,430,000	1,514,455	4,944,455
2029	-		710,000	1,600,000	1,280,000	3,590,000	1,349,755	4,939,755
2030	-		740,000	1,685,000	1,345,000	3,770,000	1,177,355	4,947,355
2031	-		765,000	1,770,000	1,410,000	3,945,000	996,255	4,941,255
2032	-		-	1,240,000	1,480,000	2,720,000	811,245	3,531,245
2033	-		830,000	510,000	1,555,000	2,895,000	675,245	3,570,245
2034					1,630,000	1,630,000	555,250	2,185,250
2035					1,715,000	1,715,000	473,750	2,188,750
2036					1,800,000	1,800,000	388,000	2,188,000
2037					1,890,000	1,890,000	298,000	2,188,000
2038					1,985,000	1,985,000	203,500	2,188,500
2039					2,085,000	2,085,000	104,250	2,189,250
								-
Total	<u>\$ 1,464,790</u>	<u>\$ 1,080,000</u>	<u>\$ 8,365,000</u>	<u>\$ 17,190,000</u>	<u>\$ 26,500,000</u>	54,599,790	28,886,513	<u>\$ 83,486,303</u>
Accereted interest	<u>3,380,210</u>					3,380,210	(3,380,210)	
	<u>\$ 4,845,000</u>					<u>\$ 57,980,000</u>	<u>\$ 25,506,303</u>	

See Independent Auditor's Report.

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures/ Uses
U.S. Department of Education			
<i>Special Education (IDEA)- Cluster</i>			
Department of Education Pass-Through			
Programs From:			
Tennessee Department of Education -IDEA Part B	* 84.027	H027A150052	\$ 1,028,426
Tennessee Department of Education - IDEA Preschool	* 84.173	H173A150095	25,791
<i>Total Special Education (IDEA)- Cluster</i>			<u>1,054,217</u>
Department of Education Pass-Through			
Programs From:			
Tennessee Department of Education -Title I	84.010 A	S010A150042	519,233
Tennessee Department of Education - Title X, McKinney-Vento Homeless Assistance	84.196 A	S196A160044	668
Tennessee Department of Education - Title II, Part A	84.367 A	S013A150042	108,882
Tennessee Department of Education - Title III, Part A	84.365 A	S365A150042	63,038
Tennessee Department of Education - Title III, Immigrant	84.365 A	S365A150042	2,191
Tennessee Department of Education - Title IV	84.424 A	S424A170044	22,252
Tennessee Department of Education - Title IV, Student Support & Academic Enrich.	84.424 A	S424A170044	1,200
Read to be Ready Grant	93.575	G1701TNCCDF	<u>53,453</u>
Total Department of Education			1,825,134
U.S. Department of Agriculture			
<i>Child Nutrition- Cluster</i>			
Department of Agriculture Pass-Through			
Programs From:			
Tennessee Department of Agriculture- National School Lunch Program- Cash	* 10.555	HC16AAX16	827,198
National School Lunch Program- Commodities	* 10.555	HC16AAX16	143,465
Tennessee Department of Agriculture- School Breakfast Program	* 10.553	HD16AAX16	277,365
<i>Total Child Nutrition Cluster</i>			1,248,028
Tennessee Department of Agriculture- Child and Adult Care Food Program	10.558	HF16AAX16	<u>157,437</u>
Total Department of Agriculture			1,405,465
Total Expenditures of Federal Awards			<u>\$ 3,230,599</u>

* Major Program

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards.

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Federal and State Financial Assistance Programs

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Balance July 1, 2018	Receipts	Expenditures/ Uses	Balance June 30, 2019
U.S. Department of Education						
Special Education (IDEA)- Cluster						
Department of Education Pass-Through Programs From:						
Tennessee Department of Education -IDEA Part B	* 84.027	H027A150052	\$ (272,100)	\$ 1,033,881	\$ 1,028,426	\$ (266,645)
TN Department of Education - IDEA Preschool	* 84.173	H173A150095	(3,503)	21,546	25,791	(7,748)
Total Special Education (IDEA)- Cluster			<u>(275,603)</u>	<u>1,055,427</u>	<u>1,054,217</u>	<u>(274,393)</u>
Department of Education Pass-Through Programs From:						
Tennessee Department of Education -Title I	84.010 A	S010A150042	(160,428)	516,950	519,233	(162,711)
Tennessee Department of Education - Title II, Part A	84.367 A	S013A150042	(42,826)	120,319	108,882	(31,389)
Tennessee Department of Education - Title III, Part A	84.365 A	S365A150042	(10,043)	67,247	63,038	(5,834)
Tennessee Department of Education - Title III, Immigrant	84.365 A	S365A150042	-	-	2,191	(2,191)
Tennessee Department of Education -Title IV	84.424 A	S424A170044	(11,433)	28,100	22,252	(5,585)
Tennessee Department of Education - Title IV, Student Support & Academic Enrich.	84.424 A	S424A170044	-	1,162	1,200	(38)
Tennessee Department of Education - Title X, McKinney-Vento Homeless Assistance	84.196 A	S196A160044	(704)	1,372	668	-
Read to be Ready Grant	93.575	G1701TNCCDF	(3,991)	22,094	53,453	(35,350)
Total U.S. Department of Education			<u>(505,028)</u>	<u>1,812,671</u>	<u>1,825,134</u>	<u>(517,491)</u>
U.S. Department of Agriculture						
Child Nutrition- Cluster						
Department of Agriculture Pass-Through Programs From:						
Tennessee Department of Education- National School Lunch Program-Cash	* 10.555	HC16AAX16	(53,600)	832,253	827,198	(48,545)
National School Lunch Program-Commodities	* 10.555	HC16AAX16	-	143,465	143,465	-
Tennessee Department of Education- School Breakfast Program	* 10.553	HD16AAX16	(21,717)	280,332	277,365	(18,750)
Total Child Nutrition Cluster			<u>(75,317)</u>	<u>1,256,050</u>	<u>1,248,028</u>	<u>(67,295)</u>
Tennessee Department of Education- Child and Adult Care Food Program	10.558		-	157,437	157,437	-
Total U.S. Department of Agriculture			<u>(75,317)</u>	<u>1,413,487</u>	<u>1,405,465</u>	<u>(67,295)</u>
Total Expenditures of Federal Awards			<u>\$ (580,345)</u>	<u>\$ 3,226,158</u>	<u>\$ 3,230,599</u>	<u>\$ (584,786)</u>
State Grants	State Number					
Tennessee Department of Education Direct Programs:						
Lottery for Pre K/Pre K Pilot	N/A		\$ (80,359)	\$ 309,007	\$ 342,904	\$ (114,256)
Lottery for Education After School	N/A		(10,385)	106,208	103,022	(7,199)
Coordinated School Health Grant	N/A		(27,232)	85,370	80,000	(21,862)
Safe School Act of 1998	N/A		(29,330)	29,330	104,300	(104,300)
2019 Teacher of the Year	N/A		-	-	25,000	(25,000)
Portfolio Review Stipends	N/A		-	-	2,650	(2,650)
BEP	N/A		(624,325)	15,332,325	14,708,000	-
Child Nutrition -State Match	N/A		-	16,604	16,604	-
Career Ladder	N/A		(5,369)	112,808	96,500	10,939
			<u>\$ (777,000)</u>	<u>\$ 15,991,652</u>	<u>\$ 15,478,980</u>	<u>\$ (264,328)</u>

* Major Program

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

1.) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Franklin Special School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule 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 the schedule presents only a selected portion of the operations of Franklin Special School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Franklin Special School District.

2.) **Summary of Significant Accounting Policies**

Expenditures reported on the schedule 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 schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3.) **Indirect Cost Rates**

Franklin Special School District uses a 4.08 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Surety Bond and Insurance Coverage

June 30, 2019

Insurance Company	Type of Insurance	Amount	Coverage
The Ohio Casualty Insurance Co.	Public Official Bond	\$ 1,188,527	Director of Schools
Wright Specialty-Catlin Insurance Co.	Crime Coverage:		
\$500 Deductible per Occurrence	Forgery or Alteration	100,000	Per Occurrence
\$500 Deductible per Occurrence	Employee Theft	100,000	Per Occurrence
\$500 Deductible per Occurrence	Inside the Premises- Theft of Money and Securities	100,000	Per Occurrence
\$500 Deductible per Occurrence	Outside the Premises- Theft of Money and Securities	100,000	Per Occurrence
Wright Specialty-Catlin Insurance Co.	Property Coverage:		
\$1,000 Deductible	Blanket Building & Contents	151,250,939	Limit All Locations
Per Occurrence	Equipment Breakdown	150,000,000	Limit All Locations
	Business Income/Extra Expense	1,000,000	Limit All Locations
	Ordinance or Law	500,000	Per Occurrence
	Valuable Papers & Records	250,000	Per Occurrence
	Property Off-Premises	100,000	Per Occurrence
	Outdoor Fences	50,000	Per Occurrence
	Outdoor Signs	50,000	Per Occurrence
	Outdoor Trees, Shrubs and Plants	50,000	Per Occurrence
	Accounts Receivable	250,000	Per Occurrence
	Paved Surfaces	Included in Buildings	Per Occurrence
\$500 Deductible	Miscellaneous Property	114,700	Per Occurrence
\$500 Deductible	Radios and Cameras	Included	Per Occurrence
\$500 Deductible	EDP- Hardware & Software	6,552,735	Per Occurrence & Annual Aggregate
5% Deductible	Earthquake	1,000,000	Per Occurrence & Annual Aggregate
\$25,000 Deductible	Flood	1,500,000	Per Occurrence & Annual Aggregate
Wright Specialty-Catlin Insurance Co.	General Liability	2,000,000	Aggregate Limit
	Each Occurrence Limit	1,000,000	
	Personal & Advertising Injury Limit	1,000,000	Aggregate Limit
	Damages to Premises Rented to You	500,000	Per Occurrence
	Medical Expense Limit	15,000	Any One Person
	Sexual Misconduct or Sexual Molestation	1,000,000	Per Occurrence & Annual Aggregate
\$1,000 Deductible	Employee Benefits Coverage	1,000,000	Each Employee/\$3,000,000 Aggregate
	Innocent Party Defense Coverage	300,000	Each Occurrence & Annual Aggregate
	Adverse Event Response Coverage	50,000	Each Person
	Adverse Event Response Coverage	300,000	Each Occurrence & Annual Aggregate
\$1,000 Deductible	Law Enforcement Professional Liability	1,000,000	Per Occurrence & Annual Aggregate
Wright Specialty-Catlin Insurance Co.	Automobile Liability	1,000,000	Bodily Injury & Property Damage
All Per Occurrence			Liability Combined Per Occurrence
\$500 Comprehensive Deductible	Auto Physical Damage		Replacement Cost for Buses 5 Years Old or Newer
\$1,000 Collision Deductible-Buses			Actual Cash Value for all other Vehicles
\$500 Collision Deductible-All Others			
	Uninsured & Underinsured Motorist	1,000,000	Per Occurrence for Bodily Injury And Property Damage
	Medical Payments	5,000	Per Person
Wright Specialty-Catlin Insurance Co.	Educators Legal Liability	1,000,000	Per Claim & Annual Aggregate
\$2,500 Deductible	Non-Monetary Defense Coverage	100,000	Per Claim & Annual Aggregate
	Crisis Management Fund	25,000	Per Claim & Annual Aggregate
Wright Specialty-Catlin Insurance Co.	Excess Liability	5,000,000	Per Occurrence & Annual Aggregate
Key Risk-StarNet Insurance	Workers' Compensation:	Statutory Limits	
	Bodily Injury by Accident	1,000,000	Each Accident
	Bodily Injury by Disease	1,000,000	Each Employee
	Bodily Injury by Disease	1,000,000	Policy Limit

See Independent Auditor's Report.

OTHER REPORTS

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 and
The Director of Schools
Franklin Special School District
Franklin, 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 the Franklin Special School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the 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 a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Matlock Clements, P.C.
November 22, 2019

**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 and
the Director of Schools
Franklin Special School District
Franklin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Franklin Special School District's (the 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 the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of the 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 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 the 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.



Matlock Clements, P.C.
November 22, 2019

FRANKLIN SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

- CFDA # 10.555 USDA Lunch
- CFDA # 10.553 USDA Breakfast
- CFDA # 84.027 IDEA Part B
- CFDA # 84.173 IDEA Preschool

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings – Required to be reported in Accordance With Government Auditing Standards.

No matters were reported.

III. Federal Award Findings – Required to be reported in Accordance with 2 CFR 200.516(a) of the Uniform Guidance

No matters were reported.

FRANKLIN SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

I. Prior Year Financial Statement Findings – Required to be reported in Accordance with Government Auditing Standards.

There were no prior findings reported.

II. Prior Year Federal Award Findings – Required to be reported in Accordance with 2 CFR 200.516(a) of the Uniform Guidance.

There were no prior findings reported.