

**FRANKLIN SPECIAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Matlock Clements**  

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**Certified Public Accountants**

## **INTRODUCTORY SECTION**

# FRANKLIN SPECIAL SCHOOL DISTRICT

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# FRANKLIN SPECIAL SCHOOL DISTRICT

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# FRANKLIN SPECIAL SCHOOL DISTRICT

## Schedule of Principal Officials

June 30, 2020

<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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

**Eric Clements, CPA, CFE • Andy Matlock, CPA**

## 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, 2020, 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 10-19 and 69-76 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, 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." The signature is written in a cursive, flowing style.

Matlock Clements, P.C.  
Murfreesboro, Tennessee  
December 3 2020

# 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, 2020.

### ***FINANCIAL HIGHLIGHTS***

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$27,693,417 (net position).
- The change in net position increased \$4.5 million.
- Outlays for new capital assets totaled \$2,174,222 and consisted of various repairs and improvements, and construction in progress and various equipment purchases.

### ***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 21. 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 23 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 \$27.69 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, 2019 (for comparison) and 2020 follows:

	<i>Governmental Activities</i>	
	<i>2020</i>	<i>2019</i>
Current and other Assets	\$ 79,810,225	\$ 79,300,828
Capital Assets, net	60,927,300	60,299,113
Deferred Outflows	7,406,093	8,519,317
<i>Total assets and Deferred Outflows of Resources</i>	<u>148,143,618</u>	<u>148,119,258</u>
Long-term liabilities	66,212,085	71,058,987
Other liabilities	9,116,570	11,967,834
Deferred Inflows	45,121,546	41,929,420
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>120,450,201</u>	<u>124,956,241</u>
<i>Net position:</i>		
Invested in capital assets, net of related debt	28,681,084	(1,596,197)
Restricted-Nonspendable	35,161	-
Restricted for education	6,300	-
Restricted for pensions	6,320,223	-
Restricted for capital outlay	526,344	29,681,590
Unrestricted	(7,875,695)	(4,922,376)
<i>Total net position</i>	<u>\$ 27,693,417</u>	<u>\$ 23,163,017</u>

The District's net position of approximately \$27.69 million is primarily composed of the District's investment in capital assets, net of related debt. The District uses capital assets to provide services to its roughly 3,634 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 \$4,530,400. The increase in net position resulted primarily from total general revenues exceeding the total net expenditures of the primary governmental activities.

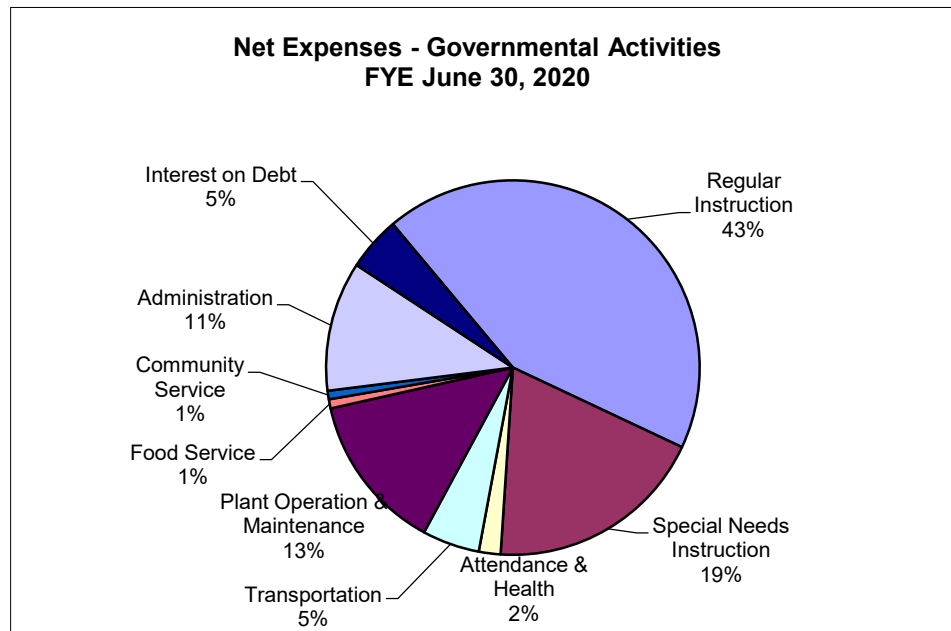
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Management's Discussion and Analysis

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.

	<i>Total Cost of Services</i>	<i>Less: Program Revenues</i>	<i>Net Cost of Services</i>	<i>Net Cost of Services</i>
			2020	2019
<b>Program Expenses:</b>				
Instruction:				
Regular	\$ 34,502,069	\$ (17,919,177)	\$ 16,582,892	\$ 16,550,197
Special needs	7,473,226	(138,118)	7,335,108	6,645,465
Support Services:				
Attendance and health	724,379	-	724,379	722,716
Transportation	1,906,327	-	1,906,327	1,827,890
Plant operations and maintenance	5,236,726	-	5,236,726	6,921,488
Food service	2,387,139	(2,082,493)	304,646	124,586
Community service	1,331,202	(1,050,057)	281,145	38,247
Administration	4,311,064		4,311,064	2,854,490
Interest on debt	1,795,396	-	1,795,396	2,373,833
Total	<u>\$ 59,667,528</u>	<u>\$ (21,189,845)</u>	38,477,683	38,058,912
<b>Less: General Revenues</b>			43,008,083	40,343,461
<b>Change in Net Position</b>			<u>\$ 4,530,400</u>	<u>\$ 2,284,549</u>



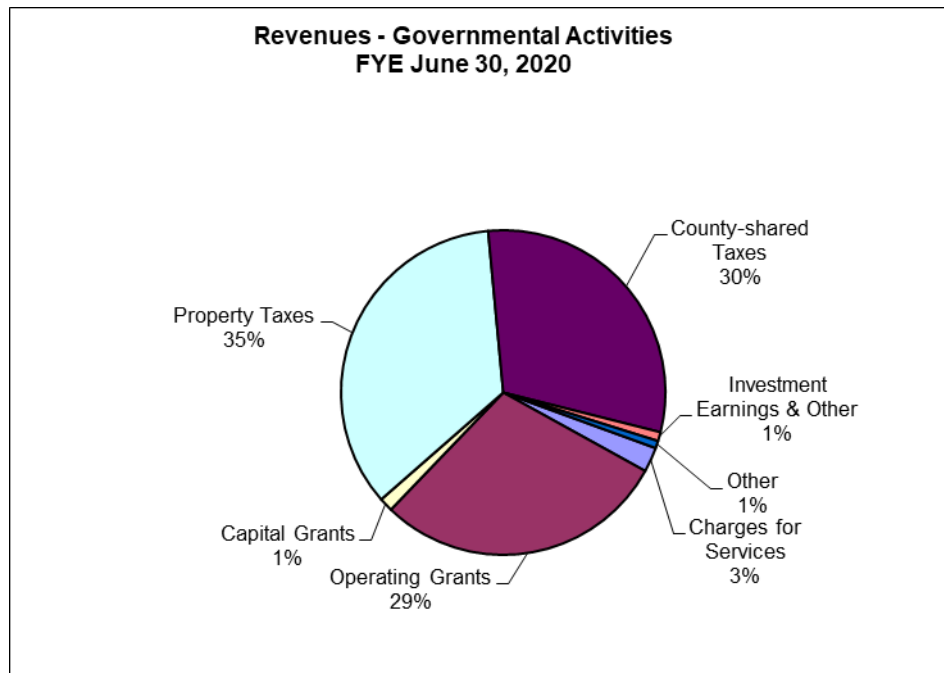
The net cost of regular instruction, special needs instruction and plant operation and maintenance represent the largest components of the District’s governmental activities, 43%, 19% and 13%, respectively. The District relies on general revenues, including tax revenue and unrestricted State BEP funds, to support the net cost of its governmental activities.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Management's Discussion and Analysis

As the table below indicates, \$43 million of general revenues were realized to support \$38.48 million of governmental activities.

	<i>Governmental</i> <i>2020 Activities</i>		<i>Governmental</i> <i>2019 Activities</i>	
		%		%
<b>Program Revenues:</b>				
Charges for services	\$ 1,591,962	2.5%	\$ 2,326,119	3.7%
Operating grants	18,713,962	29.2%	19,029,793	30.5%
Capital grants	883,921	1.4%	782,381	1.3%
	<u>21,189,845</u>	<u>33.0%</u>	<u>22,138,293</u>	<u>35.4%</u>
<b>General Revenues:</b>				
Property taxes	22,439,211	35.0%	21,448,120	34.3%
County-shared taxes	19,525,760	30.4%	18,114,753	29.0%
Investment earnings	576,178	0.9%	460,044	0.7%
Other	466,934	0.7%	320,544	0.5%
	<u>43,008,083</u>	<u>67.0%</u>	<u>40,343,461</u>	<u>64.6%</u>
<b>Total Revenues</b>	<u>\$ 64,197,928</u>	<u>100.0%</u>	<u>\$ 62,481,754</u>	<u>100.0%</u>



Property taxes and county-shared taxes, including sales tax, accounted for most of the District's general revenues, contributing about 35 cents and 30 cents, respectively, of every dollar raised. Another 29% 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 \$31.61 million, a decrease of \$4,060,924 from the prior year. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2020.

	<u>Balance,</u> <u>June 30, 2020</u>	<u>Balance,</u> <u>June 30, 2019</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 4,345,880	\$ 4,683,713	\$ (337,833)
Debt Service	667,448	661,523	5,925
Nonmajor Funds:			
Food Service	(47,999)	96,967	(144,966)
Federal Projects	-	-	-
Community Service	(312,408)	(77,475)	(234,933)
Capital Outlay	26,952,221	30,301,338	(3,349,117)
Total	<u>\$ 31,605,142</u>	<u>\$ 35,666,066</u>	<u>\$ (4,060,924)</u>

#### *General Fund*

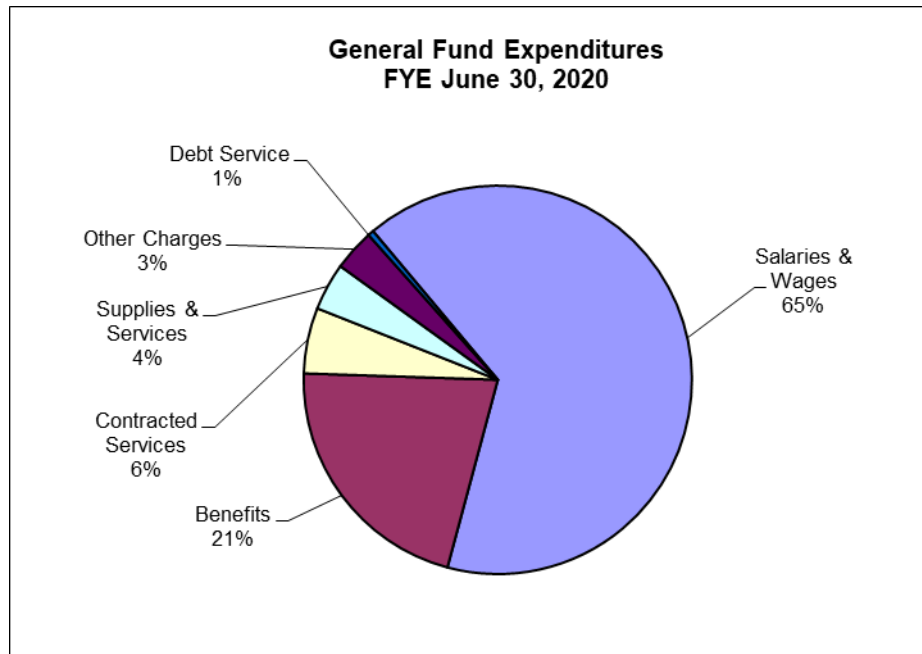
The General Fund is the chief operating fund of the District. At the end of the fiscal year, the total fund balance of the General Fund was \$4,345,880. The unassigned fund balance of \$4,132,116 million is available for spending at the District's discretion, \$0 is classified as "nonspendable" and the remaining fund balance of \$213,764 is restricted for education and the Hybrid Retirement Stabilization Trust. As a measure of liquidity, the unassigned fund balance represents 8.02% of total General Fund expenditures.

Expenditures exceeded revenues for the fiscal year, which resulted in a decrease to the fund balance of \$337,833.

The District is a service entity and as such is labor intensive. As the graph on the next page illustrates, 86% 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

	2020	2019
Salaries & Wages	\$ 33,639,354	\$ 32,730,327
Benefits	11,002,926	10,860,587
Contracted Services	2,820,190	3,160,527
Supplies & Materials	2,032,823	2,272,379
Other Charges	1,781,890	1,900,079
Capital Outlay	-	-
Debt Service	247,540	234,027
Total	<u>\$ 51,524,723</u>	<u>\$ 51,157,926</u>

### 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 increased \$5,925 due to increased revenues and decreased 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 decreased \$161,800 due to the district being closed in March, April and May. The District continued to pay all CNP staff during this period. The District did operate emergency COVID feeding but the income from this program did not cover the expenses the program faced during this time. 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 decreased \$234,933. The decrease was the result of two factors. First, 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. Another factor was the closure of the district in March, April and into mid-May. The District continued to pay all MAC staff during this period; however, no revenue was produced.

The fund balance of the Capital Outlay Fund decreased \$3,349,117 due primarily to capital outlay expenditures. Expenditures exceeded revenues 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 \$53 million and the estimated revenues and transfers totaled \$51.1 million. Final budgeted expenditures in the General Fund were \$53.2 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 \$1,677,943 at year-end, and actual revenues were more than budgetary estimates by \$257,597. Subsequently, total expenditures exceeded revenues and transfers for the fiscal year, decreasing the fund balance by \$337,833.

### ***CAPITAL ASSET AND DEBT ADMINISTRATION***

#### **Capital Assets**

The District has \$60.93 million invested in capital assets (net of accumulated depreciation of \$58 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 \$4,341,185. 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, 2020 as summarized by location follow:

<u>Location</u>	<u>Owned</u> <u>Acreage</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>2020</u> <u>Cost, Net</u>	<u>2019</u> <u>Cost, Net</u>
Franklin Elementary	16.7	\$ 20,449,066	\$ 7,753,916	\$ 12,695,150	\$ 13,322,042
Johnson Elementary	13.7	\$ 7,775,043	\$ 3,642,565	4,132,478	4,287,834
Liberty Elementary	37.0	\$ 9,600,386	\$ 5,492,723	4,107,663	3,955,271
Moore Elementary	20.0	\$ 11,801,081	\$ 6,706,652	5,094,429	5,467,378
Freedom Intermediate	25.0	\$ 19,209,380	\$ 11,112,317	8,097,063	8,888,925
Freedom Middle	37.4	\$ 15,179,306	\$ 7,406,692	7,772,614	7,853,313
Poplar Grove	37.3	\$ 25,201,062	\$ 10,234,357	14,966,705	14,408,094
Central Office	2.6	\$ 2,404,889	\$ 510,651	1,894,238	213,069
Central Office Annex	6.6	\$ 3,921,032	\$ 2,400,005	1,521,027	1,194,863
Transportation	-	\$ 3,038,708	\$ 2,480,479	558,229	595,590
Maintenance/Landscaping	-	\$ 387,076	\$ 299,372	87,704	112,734
Total	196.3	\$ 118,967,029	\$ 58,039,729	60,927,300	60,299,113
Less: Outstanding Debt				(32,246,216)	(61,895,310)
Net Investment in Capital Assets				<u>\$ 28,681,084</u>	<u>\$ (1,596,197)</u>

### Long-Term Debt

At June 30, 2020, the District had general obligation bonds outstanding of \$52,275,000, a liability for compensated absences of \$487,650 and a net OPEB obligation of \$8,982,207. This is as compared to the June 30, 2019, balances of \$57,980,000 for general obligation bonds, a liability for compensated absences of \$476,075 and a net OPEB obligation of \$9,866,672. The bonds are backed by the full faith and credit of the District. Total long-term debt of the District decreased during the fiscal year due scheduled debt payments.

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).

### ***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:

- The economic shut down in the spring of 2020 due to the COVID pandemic reduced sales tax collections. Additionally, as sales tax collections fell short, we incurred significant increases in expenditures in some areas such as custodial supplies. The uncertainty caused by the COVID-19 pandemic continues to be concerning for future sales tax collections.

## **FRANKLIN SPECIAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

- The payoff of the Series 1999 bond issue allowed \$.0556 cents to be moved from the Debt Service property tax rate to the General-Purpose Budget in FY 2020-2021 to meet reduced debt service requirements. The reallocation of \$.0556 to General Purpose still allows for the debt service fund to over collect for debt requirements by \$.01 increasing the debt service fund balance. Additionally, refunding a portion of the 2014 and 2016 bond series will provide the district annual savings benefiting our debt service fund balance for years to come. Debt service requirements for FY 2021-2022 are expected to increase slightly with the expected addition of a Series 2021 bond issue. This additional debt is expected to increase the Debt Service property tax rate from \$.2030 in FY 2020-2021 to approximately \$.2283 in FY 2021-2022.
- The city of Franklin is expected to have a property re appraisal in 2021 from which we expect to see some increase in revenues from property tax collections.

All of these factors will have an impact upon the District's budget for the 2020-2021 fiscal year. Total General Fund appropriations approved by the District's Board of Education is \$54.19 million for the 2020-2021 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, 2020**

	Primary Government Governmental Activities
<u>Assets</u>	
Cash and cash equivalents	35,657,785
Receivables (net of allowance of uncollectibles):	
Taxes	15,864,905
Due from other governments	21,400,778
Accounts receivable	48,954
Inventories	35,161
Net pension asset	6,595,178
Non depreciable capital assets	2,226,322
Depreciable capital assets net accumulated depreciation	58,700,978
Restricted Assets:	
Amounts accumulated for Pension Benefits	207,464
Total Assets	140,737,525
<u>Deferred outflows of resources</u>	
Deferred outflows-pensions	5,019,490
Deferred outflows-OPEB	1,393,687
Deferred loss on bond refunding	992,916
Total Deferred Outflows of Resources	7,406,093
<u>Liabilities</u>	
Accounts payable	638,362
Accrued payroll and other liabilities	4,870,561
Retainage payable	32,781
Accrued interest	96,331
Advances in cafeteria charges	55,499
Advances in tuition	50,617
Net pension liability	482,419
Long-term liabilities due within one year	2,890,000
Long-term liabilities due in more than one year	66,212,085
Total Liabilities	75,328,655
<u>Deferred inflows of resources</u>	
Deferred inflows-pensions	6,206,217
Deferred inflows-OPEB	3,579,763
Deferred inflows for property taxes	35,335,566
Total Deferred Inflows of Resources	45,121,546
<u>Net Position</u>	
Net investment in capital assets	28,681,084
Restricted-Nonspendable	35,161
Restricted for education	6,300
Restricted for capital outlays	526,344
Restricted for pensions	6,320,223
Unrestricted	(7,875,695)
Total Net Position	\$ 27,693,417

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, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b><u>Functions / Programs:</u></b>	<b><u>Expenses</u></b>				
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular instruction	\$ 34,502,069	\$ 87,191	\$ 16,948,065	\$ 883,921	\$ (16,582,892)
Special needs instruction	7,473,226	-	138,118	-	(7,335,108)
Attendance and health	724,379	-	-	-	(724,379)
Transportation	1,906,327	-	-	-	(1,906,327)
Plant operation and maintenance	5,236,726	-	-	-	(5,236,726)
Food service	2,387,139	535,626	1,546,867	-	(304,646)
Community service	1,331,202	969,145	80,912	-	(281,145)
Administration	4,311,064	-	-	-	(4,311,064)
Interest of debt	1,795,396	-	-	-	(1,795,396)
Total Governmental Activities	<u>\$ 59,667,528</u>	<u>\$ 1,591,962</u>	<u>\$ 18,713,962</u>	<u>\$ 883,921</u>	<u>\$ (38,477,683)</u>
<b>General Revenues:</b>					
					22,439,211
Property taxes					19,525,760
County shared taxes					576,178
Unrestricted investment earnings and rental income					466,934
Other					
Total general revenues					<u>43,008,083</u>
Change in net position					4,530,400
Net position - beginning of year					<u>23,163,017</u>
Net position - end of year					<u><u>\$ 27,693,417</u></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, 2020**

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 7,582,077	\$ 27,426,517	\$ 649,166	\$ 25	\$ 35,657,785
Taxes receivable	15,864,905	-	-	-	15,864,905
Due from other governments	13,839,995	74,374	6,965,738	520,671	21,400,778
Receivables	4,316	-	-	44,638	48,954
Inventory	-	-	-	35,161	35,161
Due from other funds	561,065	-	-	-	561,065
Restricted Assets	207,464	-	-	-	207,464
<b>Total Assets</b>	<b>\$ 38,059,822</b>	<b>\$ 27,500,891</b>	<b>\$ 7,614,904</b>	<b>\$ 600,495</b>	<b>\$ 73,776,112</b>
<u>Liabilities</u>					
Accounts payable	122,473	515,889	-	-	638,362
Accrued liabilities	4,576,840	-	-	293,721	4,870,561
Retainage payable	-	32,781	-	-	32,781
Due to other funds	-	-	-	561,065	561,065
Advance of cafeteria charges	-	-	-	55,499	55,499
Advance of tuition	-	-	-	50,617	50,617
<b>Total Liabilities</b>	<b>4,699,313</b>	<b>548,670</b>	<b>-</b>	<b>960,902</b>	<b>6,208,885</b>
<u>Deferred inflows of resources</u>					
Deferred inflows for property taxes	29,014,629	-	6,947,456	-	35,962,085
<b>Total Deferred Inflows of Resources</b>	<b>29,014,629</b>	<b>-</b>	<b>6,947,456</b>	<b>-</b>	<b>35,962,085</b>
<u>Fund Balances</u>					
Nonspendable:					
Inventory	-	-	-	35,161	35,161
Restricted:					
Restricted for Education	6,300	-	-	-	6,300
Restricted for Capital Outlay	-	26,952,221	-	-	26,952,221
Restricted for Hybrid Retirement Stabilization Trust	207,464	-	-	-	207,464
Committed:					
Committed for Debt Service	-	-	667,448	-	667,448
Committed for Capital Outlay	-	-	-	-	-
Unassigned	4,132,116	-	-	(395,568)	3,736,548
<b>Total Fund Balances</b>	<b>4,345,880</b>	<b>26,952,221</b>	<b>667,448</b>	<b>(360,407)</b>	<b>31,605,142</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 38,059,822</b>	<b>\$ 27,500,891</b>	<b>\$ 7,614,904</b>	<b>\$ 600,495</b>	<b>\$ 73,776,112</b>

# FRANKLIN SPECIAL SCHOOL DISTRICT

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

June, 30 2020

<b>Amounts reported for fund balance - total governmental funds</b>		<b>\$ 31,605,142</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		60,927,300
Net pension asset (liability) that is not due and payable in the current period, therefore, are not reported in the funds.		6,112,759
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		5,019,490
OPEB		1,393,687
Deferred loss on bond refunding		992,916
Deferred inflow of resources in an acquisition of net position that is applicable to a future reporting period.		
County collected and shared taxes		626,519
OPEB		(3,579,763)
Changes in net pension liability not included in pension expense		(6,206,217)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(96,331)
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.		(7,357,228)
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	\$ (52,275,000)	
Other post employment benefits	(8,982,207)	
Compensated absences	(487,650)	(61,744,857)
<b>Net position of governmental activities</b>		<b>\$ 27,693,417</b>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2020**

<u>Revenues</u>	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Taxes	15,422,906	\$ -	\$ 6,991,819	\$ -	\$ 22,414,725
Intergovernmental	35,232,375	883,921	-	2,995,417	39,111,713
Charges for services	87,191	-	-	1,594,830	1,682,021
Uses of money and property	89,013	-	-	-	89,013
Other	302,610	466,348	20,817	74,265	864,040
Total Revenue	<u>51,134,095</u>	<u>1,350,269</u>	<u>7,012,636</u>	<u>4,664,512</u>	<u>64,161,512</u>
<u>Expenditures</u>					
Current:					
Regular instruction	33,347,349	1,237,064	-	570,392	35,154,805
Special needs instruction	6,730,066	-	-	745,785	7,475,851
Attendance and health	721,379	-	-	-	721,379
Transportation	1,760,635	-	-	706	1,761,341
Plant operation and maintenance	3,950,057	-	-	-	3,950,057
Food service	-	-	-	2,348,855	2,348,855
Community service	-	-	-	1,344,752	1,344,752
Administration	4,767,697	-	139,993	350	4,908,040
Debt service	247,540	-	8,154,818	-	8,402,358
Capital outlay	-	2,174,222	-	-	2,174,222
Total Expenditures	<u>51,524,723</u>	<u>3,411,286</u>	<u>8,294,811</u>	<u>5,010,840</u>	<u>68,241,660</u>
Excess (deficiency) revenues over expenditures	<u>(390,628)</u>	<u>(2,061,017)</u>	<u>(1,282,175)</u>	<u>(346,328)</u>	<u>(4,080,148)</u>
<u>Other Financing Sources (Uses)</u>					
Sale of Property/Equipment	2,390	-	-	-	2,390
Transfers from other funds	50,405	-	1,288,100	-	1,338,505
Transfers to other funds	-	(1,288,100)	-	(50,405)	(1,338,505)
Total Other Financing Sources (Uses)	<u>52,795</u>	<u>(1,288,100)</u>	<u>1,288,100</u>	<u>(50,405)</u>	<u>2,390</u>
Net Change in Fund Balance	(337,833)	(3,349,117)	5,925	(396,733)	(4,077,758)
Fund Balance, Beginning of Year	4,683,713	30,301,338	661,523	19,492	35,666,066
Change in inventory reserve	-	-	-	16,834	16,834
Fund Balance, End of Year	<u>\$ 4,345,880</u>	<u>\$ 26,952,221</u>	<u>\$ 667,448</u>	<u>\$ (360,407)</u>	<u>\$ 31,605,142</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, 2020

Amounts reported for net change in fund balance - total governmental funds \$ (4,077,758)

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	\$ 4,341,185	
Depreciation expense	<u>(3,705,895)</u>	635,290

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		36,416
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Net change in pension assets/liabilities and expenditures that are deferred or capitalized for the statement of activities.		2,185,546
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Net change in bond loss that is deferred for the statement of activities		(185,075)
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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.

Current year principal payments	\$ 5,705,000	
Amortization of debt premium	<u>1,084,012</u>	6,789,012

Interest is accrued on the outstanding bonds in the statement of activities, whereas in the governmental funds, an interest expenditure is reported when due.		3,025
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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	\$ 16,834	
Compensated absences	11,575	
Other post employment benefits	(884,465)	
Accreted interest	<u>-</u>	<u>(856,056)</u>

Change in net position of governmental activities		<u>\$ 4,530,400</u>
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**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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Special School District taxes:				
Property tax - current year	\$15,290,200	\$ 15,290,200	\$ 15,270,523	\$ (19,677)
Property tax - prior year	140,000	140,000	88,309	(51,691)
Property tax - pickup	35,000	35,000	41,392	6,392
Interest and penalty on delinquent taxes	25,000	25,000	22,682	(2,318)
Total special school district taxes	<u>15,490,200</u>	<u>15,490,200</u>	<u>15,422,906</u>	<u>(67,294)</u>
Intergovernmental revenue				
County Revenue:				
Property tax - current year	13,145,734	13,145,734	13,186,654	40,920
Property tax - prior year	28,744	28,744	46,434	17,690
Taxes - other	107,463	107,463	112,597	5,134
In lieu of tax payments	20,000	20,000	91,381	71,381
Interest and penalty on delinquent taxes	14,086	14,086	24,083	9,997
Local sales tax	5,974,000	5,974,000	6,052,681	78,681
Total county revenue	<u>19,290,027</u>	<u>19,290,027</u>	<u>19,513,830</u>	<u>223,803</u>
State Funds:				
Basic education program	14,872,000	14,872,000	14,867,514	(4,486)
Career ladder	109,292	109,292	50,495	(58,797)
On-behalf contribution OPEB	-	-	223,554	223,554
Other state funds	587,041	503,420	483,388	(20,032)
Total state funds	<u>15,568,333</u>	<u>15,484,712</u>	<u>15,624,951</u>	<u>140,239</u>
Federal Funds:				
Education of handicapped	207,684	93,594	93,594	-
Total federal funds received	<u>207,684</u>	<u>93,594</u>	<u>93,594</u>	<u>-</u>
Total Intergovernmental revenue	<u>35,066,044</u>	<u>34,868,333</u>	<u>35,232,375</u>	<u>364,042</u>
Charges for services				
Tuition - out-of-district students	41,984	41,984	28,963	(13,021)
Tuition summer school	220,000	220,000	192	(219,808)
Tuition other	27,599	27,599	34,968	7,369
Other Charges	40,029	40,029	23,068	(16,961)
Total charges for services	<u>329,612</u>	<u>329,612</u>	<u>87,191</u>	<u>(242,421)</u>
Other Revenue from Local Sources:				
Interest earnings	90,714	90,714	56,341	(34,373)
Facility rentals	39,273	39,273	32,672	(6,601)
Other	58,366	58,366	302,610	244,244
Total other revenues	<u>188,353</u>	<u>188,353</u>	<u>391,623</u>	<u>203,270</u>
Total Revenues	<u>\$ 51,074,209</u>	<u>\$ 50,876,498</u>	<u>\$ 51,134,095</u>	<u>\$ 257,597</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 - Actual and Budget (GAAP Basis), Continued

General Fund

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures:				
Regular Instruction:				
Principals and assistant principals	\$ 1,905,983	\$ 1,905,983	\$ 1,880,608	\$ 25,375
Supervisors	470,677	470,677	501,122	(30,445)
Teachers	18,331,888	18,112,779	18,123,607	(10,828)
Substitute teachers	330,000	11,000	10,794	206
Guidance personnel	666,282	666,282	626,759	39,523
Library personnel	524,689	524,689	496,705	27,984
Other salaries and wages	2,727,881	2,750,921	2,620,026	130,895
Career ladder program	64,000	64,000	58,811	5,189
Benefits	8,122,757	8,110,068	7,547,378	562,690
Contracted services and consultants	554,329	862,785	781,800	80,985
Travel - instructional personnel	2,200	2,125	1,082	1,043
Instructional materials and supplies	770,405	737,686	672,672	65,014
Other	69,078	66,525	25,985	40,540
Total regular instruction	<u>34,540,169</u>	<u>34,285,520</u>	<u>33,347,349</u>	<u>938,171</u>
Special Needs Instruction				
Supervisor	101,166	101,166	159,854	(58,688)
Teachers	2,563,084	2,563,084	2,605,974	(42,890)
Psychological personnel	904,434	904,434	842,602	61,832
Substitute teachers	55,000	1,505	1,504	1
Other personnel	738,196	738,196	734,887	3,309
Career ladder	14,000	14,000	9,950	4,050
Contracts	312,000	456,802	374,427	82,375
Instruction materials and supplies	62,500	62,500	36,933	25,567
Benefits	1,730,190	1,725,982	1,659,116	66,866
Other	496,759	495,254	304,819	190,435
Total special needs instruction	<u>6,977,329</u>	<u>7,062,923</u>	<u>6,730,066</u>	<u>332,857</u>
Attendance and Health:				
Supervisor and other wages	512,420	524,820	525,049	(229)
Career ladder program	3,000	3,000	2,000	1,000
Benefits	157,370	162,725	162,174	551
Supplies and materials	20,987	20,887	18,514	2,373
Other	12,830	16,327	13,642	2,685
Total attendance and health	<u>706,607</u>	<u>727,759</u>	<u>721,379</u>	<u>6,380</u>
Transportation:				
Bus drivers and supervisors	1,007,087	1,007,087	1,022,833	(15,746)
Other salaries and wages	49,203	70,203	71,067	(864)
Benefits	384,245	384,245	406,955	(22,710)
Repairs and maintenance	120,500	110,500	107,619	2,881
Contracted services	-	10,000	13,200	(3,200)
Fuel	104,500	104,500	61,151	43,349
Insurance	38,000	38,000	40,502	(2,502)
Other	36,900	41,900	37,308	4,592
Total transportation	<u>1,740,435</u>	<u>1,766,435</u>	<u>1,760,635</u>	<u>5,800</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 - Actual and Budget (GAAP Basis), Continued

General Fund

For the Year Ended June 30, 2020

Expenditures, Continued:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Plant Operation and Maintenance:				
Supervisors	87,759	87,759	87,760	(1)
Custodial services	1,243,993	1,243,993	1,243,198	795
Other salaries and wages	379,158	379,158	351,786	27,372
Benefits	622,061	632,061	614,043	18,018
Repairs and maintenance	147,200	200,710	210,240	(9,530)
Other contracted services	132,500	132,500	144,438	(11,938)
Utilities	952,500	952,500	930,423	22,077
Insurance	110,000	110,000	123,172	(13,172)
Other materials and supplies	241,000	241,000	239,600	1,400
Other	3,250	3,250	5,397	(2,147)
Total plant operation and maintenance	3,919,421	3,982,931	3,950,057	32,874
Administration:				
Director of schools	227,321	227,321	230,667	(3,346)
Accounting	427,160	427,160	391,440	35,720
Other salaries and wages	1,299,782	1,305,780	1,040,351	265,429
Benefits	457,354	457,342	389,706	67,636
Travel	34,410	33,610	20,447	13,163
Communications	50,000	85,000	83,823	1,177
Board services	380,200	440,200	476,510	(36,310)
Trustee commission	600,000	638,000	636,881	1,119
Insurance	267,255	267,255	255,877	11,378
Professional services	78,500	135,500	134,254	1,246
Other contracted services	528,439	544,712	472,350	72,362
Materials and supplies	111,044	114,539	72,478	42,061
Data processing	1,500	1,500	1,052	448
On-behalf payments OPEB	-	223,554	223,554	-
Other	429,084	223,683	338,307	(114,624)
Debt service	234,125	251,942	247,540	4,402
Total administration	5,126,174	5,377,098	5,015,237	361,861
Total Expenditures	53,010,135	53,202,666	51,524,723	1,677,943
Excess revenues over (under) expenditures	(1,935,926)	(2,326,168)	(390,628)	1,935,540
Other Financing Sources (Uses):				
Sale of property/equipment	1,500	1,500	2,390	890
Transfer in	50,000	50,000	50,405	405
Total Other Financing Sources (Uses)	50,000	50,000	52,795	1,295
Net change in Fund Balance	(1,885,926)	(2,276,168)	(337,833)	1,938,335
Fund Balance, Beginning of Year	4,683,713	4,683,713	4,683,713	-
Fund Balance, End of Year	\$ 2,797,787	\$ 2,407,545	\$ 4,345,880	\$ 1,938,335

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, 2020

### **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, 2020

### **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, 2020

### **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, 2020

### 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, 2020

### 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, 2020

### 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.

#### TCRS Stabilization Trust

**Legal Provisions.** The Franklin Special School District is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The School Department has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the School Department.

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

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

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### TCRS Stabilization Trust – (Continued)

Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

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

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

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2020

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

TCRS Stabilization Trust – (Continued)

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

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

On June 30, 2020, the Franklin Special School District had the following investments held by the trust on its behalf.

Investment	(days)	Maturities	Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 64,313
Developed Market International Equity	N/A	N/A	29,045
Emerging Market International Equity	N/A	N/A	8,299
U.S. Fixed Income	N/A	N/A	41,493
Real Estate	N/A	N/A	20,746
Short-term Securities	N/A	N/A	2,075
NAV - Private Equity and Strategic Lending	N/A	N/A	<u>41,493</u>
Total			<u><u>\$ 207,464</u></u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### TCRS Stabilization Trust – (Continued)

Investment by Fair Value Level	Fair Value 6-30-20	Fair Value Measurements Using			Amortized Cost NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$ 64,313	\$ 64,313	\$ 0	\$ 0	0
Developed Market					
International Equity	29,045	29,045	0	0	0
Emerging Market					
International Equity	8,299	8,299	0	0	0
U.S. Fixed Income	41,493	0	41,493	0	0
Real Estate	20,746	0	0	20,746	0
Short-term Securities	2,075	0	2,075	0	0
Private Equity and Strategic Lending	41,493	0	0	0	41,493
Total	\$ 207,464	\$ 101,657	\$ 43,568	\$ 20,746	41,493

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

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

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

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

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### TCRS Stabilization Trust – (Continued)

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Franklin Special School District to pay retirement benefits of the School Department employees.

For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>.

#### 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, 2020

### 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.

#### 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:

	2020	2019
General Fund	\$.6260	\$.5704
Debt Service	.2030	.2586

### 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, 2020, there were no amounts exposed to custodial credit risk.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 2.) Deposits and Investments-(Continued)

#### Investments

At June 30, 2020, the District's reporting entity had the following investments:

	Fair Value/ Carrying Amount	Maturity	Rating
Local Government Investment Pool	\$32,916,273	N/A	N/A
Less Liquid Investments (Cash Equivalents)	(\$32,916,273)		
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, 2020 was as follows:

<u>Asset</u>	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,226,322	\$ -	\$ -	\$ 2,226,322
<u>Capital assets being depreciated:</u>				
Buildings	56,805,314	-	-	56,805,314
Improvements	43,299,305	4,139,062	(14,423)	47,423,944
Equipment	9,241,526	105,178	(56,118)	9,290,586
Vehicles	3,123,918	96,945	-	3,220,863
Total	<u>\$114,696,385</u>	<u>\$ 4,341,185</u>	<u>\$ (70,541)</u>	<u>\$ 118,967,029</u>
<u>Accumulated Depreciation</u>	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Buildings	\$ 28,332,610	\$1,126,572	\$ -	\$ 29,459,182
Improvements	14,683,727	2,281,900	(7,320)	16,958,307
Equipment	8,939,565	136,156	(56,118)	9,019,603
Vehicles	2,441,370	161,267	-	2,602,637
Total	<u>\$ 54,397,272</u>	<u>\$3,705,895</u>	<u>\$ (63,438)</u>	<u>\$ 58,039,729</u>
Governmental Activities Net Capital Assets	<u>\$ 60,299,113</u>			<u>\$ 60,927,300</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 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	\$ 73,929
Attendance and Health	-
Transportation	146,411
Plant Operation and Maintenance	3,434,532
Food Service	32,550
Administration	18,473
Total	<u>\$3,705,895</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:

		Government -Wide <u>Statements</u>	Fund <u>Statements</u>
Teacher Legacy Pension Plan	\$3,505,470		
Teacher Pension Plan	123,598		
Public Employee Retirement Plan	<u>1,390,422</u>		
Total		\$ 5,019,490	\$ -
Other post-employment benefits		1,393,687	-
Loss on bond refunding		<u>992,916</u>	-
Total		<u>\$ 7,406,093</u>	<u>\$ -</u>

### 5.) Receivables and Deferred Inflows of Resources

A summary of receivables at June 30, 2020 is as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total
Property Taxes	\$ 15,864,905	\$ -	\$ -	\$ -	\$ 15,864,905
Customer and Other	4,316	-	-	44,638	48,954
Other Governments	<u>13,839,995</u>	<u>74,374</u>	<u>6,965,738</u>	<u>520,671</u>	<u>21,400,778</u>
Total	<u>\$ 29,709,216</u>	<u>\$ 74,374</u>	<u>\$6,965,738</u>	<u>\$565,309</u>	<u>\$37,314,637</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 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	\$5,814,790		
Teacher Retirement Pension Plan	63,063		
Public Employee Retirement Plan	<u>\$ 328,364</u>		
Total		\$ 6,206,217	\$ -
Other post-employment benefits		3,579,763	
Unlevied Property Taxes (Unavailable)		22,816,361	22,816,361
Unlevied County Taxes (Unavailable)		13,356,309	13,356,309
County Collected and Shared (Unavailable)		-	626,520
		<u>\$45,958,650</u>	<u>\$36,799,190</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, 2020:

	July 1, 2019	Additions	Accreted Interest	Reductions	June 30, 2020	Due Within One Year
Governmental Activities:						
General Obligation Bonds	\$57,980,000	\$ -	\$ -	\$ 5,705,000	\$52,275,000	\$2,890,000
Compensated Absences	476,075	-	-	11,575	487,650	-
Total	<u>\$58,456,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,716,575</u>	<u>\$52,762,650</u>	<u>\$2,890,000</u>
Discounts/Premiums	8,441,240				7,357,228	
	66,897,315				60,119,878	
Net OPEB obligation	9,866,672				8,982,207	
	<u>\$76,763,987</u>				<u>\$69,102,085</u>	

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

Long term debt payable at June 30, 2020 is comprised of the following:

2012 Series limited tax school refunding bonds issued May 2012 With interest rate ranging from 2% to 4%	730,000
2014 Series limited tax school refunding bonds issued September 2014 With interest rate ranging from 2% to 4%	7,855,000
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>\$ 52,275,000</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2020 including interest payments as follows:

<u>Year</u>	<u>Bonds</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
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	2,985,000	-	1,956,618	4,941,618
2026-2030	17,185,000	-	7,531,100	24,716,100
2031-2035	12,905,000	-	3,511,745	16,416,745
2036-2039	7,760,000	-	993,750	8,753,750
	<u>\$ 52,275,000</u>	<u>\$ -</u>	<u>\$23,058,335</u>	<u>\$75,333,335</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>.

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.

## FRANKLIN SPECIAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

#### **7.) Pension Plans-(Continued)**

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

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, 2020 to the Teacher Legacy Pension Plan were \$2,209,710 which is 10.63 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liability (assets).* At June 30, 2020, the Franklin Special School District reported a liability (asset) of (\$6,358,103) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 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, 2019, Franklin Special School District's proportion was 0.618384 percent. The proportion measured as of June 30, 2018 was .579111 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2020, Franklin Special School District recognized pension expense (negative pension expense) of \$885,073.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 309,560	\$ 3,883,656
Changes in assumptions	856,787	-
Net difference between projected and actual earnings on pension plan investments	-	1,816,632
Changes in proportion of Net Pension Liability (Asset)	129,413	114,502
LEA's contributions subsequent to the Measurement date of June 30, 2019	2,209,710	(not applicable)
Total	<u>\$ 3,505,470</u>	<u>\$ 5,814,790</u>

Franklin Special School District employer contributions of \$2,209,710 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year Ended June 30:**

2021	\$ (1,260,748)
2022	(1,821,892)
2023	(827,049)
2024	(609,340)
2025	-
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, 2020

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

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

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

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

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

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%

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, 2020

#### 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Franklin Special School District's proportionate share of the net pension liability (asset)	\$ 13,000,484	\$(6,358,103)	\$(21,757,323)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

##### **Payable to the pension plan**

At June 30, 2020, Franklin Special School District reported a payable of \$281,754 for the outstanding amount of contributions to the Teacher Legacy Pension Plan required at the year ended June 30, 2020.

##### 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, 2020

### **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, 2020 to the Teacher Retirement Plan were \$103,003 which is 1.94 percent of covered payroll. In addition, employer contributions of \$109,374, which is 2.06 percent of covered payroll were made to the Pension Stabilization Reserve Trust Fund to fund future pension costs. 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, 2020

### 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, 2020, Franklin Special School District reported a liability (asset) of (\$237,075) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension 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, 2019, Franklin Special School District's proportion was 0.419984 percent. The proportion measured as of June 30, 2018 was .395914 percent.

*Pension Expense (negative pension expense).* For the year ended June 30, 2020, Franklin Special School District recognized pension expense of \$73,627.

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

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 9,830	\$ 41,387
Net difference between projected and actual earnings on pension plan investments	-	10,023
Changes in assumptions	8,237	-
Changes in proportion of Net Pension Liability (Asset)	2,528	11,653
LEA's contributions subsequent to the Measurement date of June 30, 2019	103,003	(not applicable)
Total	<u>\$ 123,598</u>	<u>\$ 63,063</u>

Franklin Special School District's employer contributions of \$103,003 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows 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, 2020

### 7.) Pension Plans-(Continued)

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

##### **Year Ended June 30:**

2021	\$	(5,801)
2022		(7,335)
2023		(4,523)
2024		(3,090)
2025		(2,681)
Thereafter		(19,037)

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

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

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

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

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

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

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, 2020

#### 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Franklin Special School District's proportionate share of the net pension liability (asset)	\$ 75,115	(\$237,075)	(\$467,842)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

#### **Payable to the Pension Plan**

At June 30, 2020, Franklin Special School District reported a payable of \$44,160 for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2020.

#### **Defined Contribution Component to the Teacher Retirement Plan**

The Teacher Retirement Plan is a hybrid plan that consists of a define benefit plan plus a defined contribution plan. The District contributes 4% of payroll to the defined benefit component and 5% of payroll to the defined contribution component, for an aggregate contribution of 9%. The 5% contribution rate is established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees immediately vest in the employee and employer contributions to the defined contribution portion of the Hybrid Plan, therefore there are no forfeitures necessary. There are no assets accumulating in a trust related to the defined contribution component.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 7.) Pension Plans-(Continued)

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

##### **Defined Contribution Component to the Teacher Retirement Plan-Continued**

The District contributed \$265,471 to the defined contribution plan for the fiscal year ended June 30, 2020, equal to 5% of the covered payroll of \$5,309,413.

#### 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>.

*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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	227
Inactive employees or entitled to but not yet receiving benefits	274
Active employees	255
Total	<u>756</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 7.) Pension Plans-(Continued)

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

*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, 2020, employer contributions for Franklin Special School District were \$729,517 at a base rate of 8.05% 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, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

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

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

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

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

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 7.) Pension Plans-(Continued)

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

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:

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

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

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

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 7.) Pension Plans-(Continued)

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
<b>Balance at 6/30/18</b>	\$27,472,273	\$26,768,571	\$ 703,702
Changes for the year:			
Service Cost	747,930		747,930
Interest	2,001,070		2,001,670
Differences between Expected and actual experience	255,533		255,533
Changes in assumptions	-		-
Contributions- employer		826,340	(826,340)
Contributions- employees		429,493	(429,493)
Net investments income		1,992,969	(1,992,969)
Benefits paid including refunds including refunds of employee contributions	(1,238,477)	(1,238,477)	-
Administrative expense		(22,986)	22,986
Other Changes		-	-
<b>Net changes</b>	1,766,056	1,987,339	(221,283)
<b>Balance at 6/30/19</b>	\$29,238,329	\$28,755,910	\$ 482,419

*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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Franklin Special School District's net pension liability (asset)	\$4,019,575	\$ 482,419	(\$2,484,162)

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 7.) Pension Plans-(Continued)

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

#### **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, 2020 Franklin Special School District recognized pension expense (negative pension expense) of \$985,533.

*Deferred outflow of resources and inflow of resources.* For the year ended June 30, 2020, Franklin Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 532,687	\$ -
Net difference between projected and actual earnings on pension plan investments	-	328,364
Changes in Assumption	128,218	-
Contributions subsequent to the Measurement date of June 30, 2019	729,517	(not applicable)
Total	<u>\$ 1,390,422</u>	<u>\$ 328,364</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” 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:

2021	\$ 392,627
2022	(51,199)
2023	1,605
2024	(10,490)
2025	-
Thereafter	-

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

#### **Payable to the Pension Plan**

At June 30, 2020, Franklin Special School District reported a payable of \$98,440 for the outstanding amount of contributions to the public employee retirement plan required at the year ended June 30, 2020.

## FRANKLIN SPECIAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

#### **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, 2020, were \$178,017 and \$45,537 respectively. The District has recognized these on-behalf payments as revenues and expenditures in the General Purpose Fund.

#### **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 \$192,531, primarily to fund administrative costs.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 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.

##### Employees covered by benefit terms

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

Inactive employees currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	-
Active employees	463
Total	<u>530</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 \$757,226 to the TGOP for OPEB benefits as they came due.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### A. Closed Teacher Group Insurance Plan-(Continued)

##### Total OPEB Liability

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

Inflation	2.20 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	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

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

Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

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

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### A. Closed Teacher Group Insurance Plan-(Continued)

#### Changes in Collective Total OPEB Liability

#### TGOP

	Total OPEB Liability
Balances at June 30, 2018	\$ 11,824,071
Charges for the year:	
Service cost	628,959
Interest	434,471
Change of benefit terms	(17,860)
Differences between expected and actual	46,703
Change in assumptions	(802,782)
Benefit payments	(910,227)
Net changes	(620,736)
Balances at June 30, 2019	\$ 11,203,335
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 2,221,128
Employer's proportionate share of the collective total OPEB liability	\$ 8,982,207
Employer's proportion of the collective total OPEB liability	80.17%

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 3.44% from the prior measurement date. Franklin Special School District recognized \$139,869 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Franklin Special School District's retirees.

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

*Changes in benefits.* The change in benefits totaled (\$17,860).

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2020

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

**A. Closed Teacher Group Insurance Plan-(Continued)**

*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 (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate. (expressed in thousands)

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b><u>(2.51%)</u></b>	<b><u>(3.51%)</u></b>	<b><u>(4.51%)</u></b>
Proportionate share of collective total OPEB liability	\$ 9,526,818	\$ 8,982,207	\$ 8,458,713

*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 (5.03%/4.20% decreasing to 3.50%) or 1-percentage-point higher (7.03%/6.20% decreasing to 5.50%) than the current healthcare cost trend rate. (expressed in thousands)

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
	<b><u>(5.03%/4.20% decreasing to 3.50%)</u></b>	<b><u>(6.03%/5.20% decreasing to 4.50%)</u></b>	<b><u>(7.03%/6.20% decreasing to 5.50%)</u></b>
Proportionate share of collective total OPEB liability	\$ 8,178,914	\$ 8,982,207	\$ 9,911,288

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

*OPEB Expense.* For the fiscal year ended June 30, 2020, Franklin Special School District recognized OPEB expense of \$552,204.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

### 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, 2020, 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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 32,781	\$ 2,309,234
Changes in assumptions	399,331	854,535
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.	204,349	415,994
Employer payments subsequent to the measurement date	757,226	-
Total	\$ 1,393,687	\$ 3,579,763

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	
<b>Year Ended June 30:</b>	
2021	\$ (425,945)
2022	(425,945)
2023	(425,945)
2024	(425,945)
2025	(425,945)
Thereafter	(813,577)

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, 2020

### 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, 2019, the following employees of Franklin Special School District were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	72
Active employees	317
Total	<u>488</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, 2020

### 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, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20 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, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

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

#### Changes in Collective Total OPEB Liability

TNP

		<u>Total OPEB Liability</u>
Balances at June 30, 2019	\$	<u>957,453</u>
Charges for the year:		
Service cost		17,706
Interest		34,590
Differences between expected and actual		169,480
Change in assumptions		21,504
Benefit payments		<u>(39,648)</u>
Net changes		<u>203,632</u>
Balances at June 30, 2020	\$	<u><u>1,161,085</u></u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2020

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

#### B. Closed Tennessee Plan-(Continued)

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,161,085
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Employer's proportionate share of the collective total OPEB liability	\$ -
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Employer's proportion of the collective total OPEB liability	0%
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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 \$38,294 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

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

*OPEB Expense.* For the fiscal year ended June 30, 2020, Franklin Special School District recognized OPEB expense of \$38,294.

### 14.) Interfund Activity

Interfund balances at June 30, 2020, consisted of the following individual fund receivables and payables:

	Due From	Due To
General Purpose School Fund	\$ 561,065	\$ -
Food Service Fund	-	23,095
Federal Projects Fund	-	289,580
Community Service Fund	-	248,390
	<u>\$ 561,065</u>	<u>\$ 561,065</u>

## FRANKLIN SPECIAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

#### **14.) Interfund Activity-(Continued)**

In the fund financial statements, receivables and payables between funds resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the district-wide statement of net position,

Interfund transfers have been eliminated from the basic financial statements as appropriate. The capital projects fund transfer to the debt service fund was the capitalized interest that paid the Bond Series 2019 interest. Additionally, the federal projects fund advanced funds to the general fund for indirect costs.

#### **15.) Deficit Fund Balances**

On June 30, 2020 the Community Service Fund, a non-major governmental fund, had a deficit fund balance of \$312,408. The deficit is the result of two factors. First, 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. Second, the deficit is due to the district being closed in March, April and into mid-May. The district continued to pay all MAC staff during this period of closure but were not receiving any revenue. Even once the MAC re-opened in mid-May they operated at a limited capacity with reduced staff to student ratios to adhere to CDC safety guidelines, which greatly reduced the summer program revenues. 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, and seeking grant support.

On June 30, 2020 the Food Service Fund, a non-major governmental fund, had a deficit fund balance of \$47,999. The deficit is due to the district being closed in March, April and May. The district continued to pay all food service staff during this period. The district did operate emergency COVID feeding but the income from this program did not cover the expenses the program faced during this time. The district is watching all expenses and working on increasing income to build back fund balance.

#### **16.) Subsequent Events**

Subsequent events were evaluated through December 3 2020, when the financial statements were available to be issued.

The recent outbreak of the COVID-19 virus has resulted in an overall uncertainty of the economy. The outbreak has caused disruption to schools and businesses through mandated and voluntary closings. The overall financial impact and duration of this economic uncertainty on the schools cannot be estimated at this time.

## **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>	<u>2019</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)	\$ (6,358,103)
Franklin Special School District's proportionate share of the net pension liability (asset)	0.575744%	0.575744%	0.574318%	0.603351%	0.579111%	0.618384%
Franklin Special School District's covered payroll	\$22,597,828	\$ 22,597,888	\$20,731,703	\$ 21,328,137	\$ 20,278,578	\$ 20,735,317
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%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	100.08%	97.14%	100.14%	101.49%	104.28%

\* 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>	<u>2019</u>
Franklin Special School District's proportion of the net pension liability (asset)	0.403554%	0.418332%	0.391343%	0.395914%	0.419984%
Franklin Special School District's proportionate share of the net pension liability (asset)	(\$16,235)	(\$43,550)	(\$103,249)	(\$179,558)	(\$237,075)
Franklin Special School District's covered payroll	\$838,473	\$1,840,680	\$2,568,530	\$3,459,811	\$4,444,257
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%	-5.33%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

\* 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>	<u>2020</u>
Contractually required	\$ 2,006,692	\$ 1,988,098	\$ 1,874,144	\$ 1,928,064	\$ 1,841,295	\$ 2,168,914	\$ 2,209,710
Contribution in relation to the contractually required contribution	2,006,692	1,988,098	1,874,144	1,928,064	1,841,295	2,168,914	2,209,710
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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	\$ 20,787,488
Contributions as a percentage of Franklin Special School District's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%

\* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.

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>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 20,962	\$ 46,076	\$ 102,742	\$ 56,421	\$ 86,219	\$ 103,003
Contribution in relation to the actuarially determined contribution	33,539	73,627	102,742	138,393	86,219	103,003
Contribution deficiency (excess)	<u>\$ (12,577)</u>	<u>\$ (27,551)</u>	<u>\$ -</u>	<u>\$ (81,972)</u>	<u>\$ -</u>	<u>\$ -</u>
Franklin Special School District's covered payroll	\$ 838,473	\$ 1,840,680	\$ 2,568,530	\$ 3,459,811	\$ 4,444,257	\$ 5,309,413
Contributions as a percentage of Franklin Special School District's covered payroll	2.50%	4.00%	4.00%	4.00%	1.94%	1.94%

\* - In FY 2019 the School Department placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06 percent of covered payroll into the Pension Stabilization Reserve Trust.

Note: Ten years of data will be presented when available.

*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	2019
Service Cost	\$ 670,481	\$ 664,158	\$ 669,087	\$ 685,415	\$ 739,704	\$ 747,930
Interest	1,419,298	1,542,675	1,631,559	1,741,161	1,860,600	2,001,070
Changes in benefit terms	-	-	-	-	-	-
Differences between actual and expected experience	285,850	(220,585)	41,085	437,423	463,364	255,533
Changes of assumptions	-	-	-	512,875	-	-
Benefit payments, including refunds of employee contributions	(693,788)	(754,786)	(857,322)	(936,086)	(1,030,287)	(1,238,477)
<b>Net change in total pension liability</b>	<b>1,681,841</b>	<b>1,231,462</b>	<b>1,484,409</b>	<b>2,440,788</b>	<b>2,033,381</b>	<b>1,766,056</b>
<b>Total pension liability-beginning</b>	<b>18,600,392</b>	<b>20,282,233</b>	<b>21,513,695</b>	<b>22,998,104</b>	<b>25,438,892</b>	<b>27,472,273</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 20,282,233</b>	<b>\$ 21,513,695</b>	<b>\$ 22,998,104</b>	<b>\$ 25,438,892</b>	<b>\$ 27,472,273</b>	<b>\$ 29,238,329</b>
<b>Plan fiduciary net position</b>						
Contributions-employer	\$ 622,226	\$ 647,523	\$ 665,451	\$ 712,256	\$ 793,493	\$ 826,340
Contributions-employee	360,086	362,077	371,762	397,910	412,849	429,493
Net investment income	2,860,796	629,840	564,502	2,493,363	2,045,854	1,992,969
Benefit payments, including refunds of employee contributions	(693,788)	(754,786)	(857,322)	(936,086)	(1,030,287)	(1,238,477)
Administrative expense	(9,983)	(13,002)	(19,574)	(21,696)	(24,827)	(22,986)
Other	-	-	8,250	194	-	-
<b>Net change in plan fiduciary net positions</b>	<b>3,139,337</b>	<b>871,652</b>	<b>733,069</b>	<b>2,645,941</b>	<b>2,197,082</b>	<b>1,987,339</b>
<b>Plan fiduciary net position-beginning</b>	<b>17,181,490</b>	<b>20,320,827</b>	<b>21,192,479</b>	<b>21,925,548</b>	<b>24,571,489</b>	<b>26,768,571</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 20,320,827</b>	<b>\$ 21,192,479</b>	<b>\$ 21,925,548</b>	<b>\$ 24,571,489</b>	<b>\$ 26,768,571</b>	<b>\$ 28,755,910</b>
<b>Net Pension Liability (asset)-ending (a)-(b)</b>	<b>\$ (38,594)</b>	<b>\$ 321,216</b>	<b>\$ 1,072,556</b>	<b>\$ 867,403</b>	<b>\$ 703,702</b>	<b>\$ 482,419</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>100.19%</b>	<b>98.51%</b>	<b>95.34%</b>	<b>96.59%</b>	<b>97.44%</b>	<b>98.35%</b>
<b>Covered-employee payroll</b>	<b>\$ 7,201,672</b>	<b>\$ 7,233,296</b>	<b>\$ 7,436,598</b>	<b>\$ 7,958,162</b>	<b>\$ 8,256,942</b>	<b>\$ 8,589,809</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>-0.54%</b>	<b>4.44%</b>	<b>14.42%</b>	<b>10.90%</b>	<b>8.52%</b>	<b>5.62%</b>

\* 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>	<u>2020</u>
Actuarially determined contribution	\$ 622,226	\$ 647,523	\$ 665,451	\$ 711,460	\$ 793,493	\$ 826,340	\$ 729,517
Contributions in relation to the actuarially determined contribution	<u>622,226</u>	<u>647,523</u>	<u>665,451</u>	<u>712,256</u>	<u>793,493</u>	<u>826,340</u>	<u>729,517</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796)</u>	<u>\$ -</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	\$ 9,062,326
Contributions as a percentage covered-employee payroll	8.64%	8.95%	8.95%	8.95%	9.61%	9.62%	8.05%

\* 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 2020 were calculated based on the June 30, 2018 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.

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**

**Closed Teacher Group OPEB Plan**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 816	\$ 766	\$ 628,959
Interest	446	530	434,471
Changes of benefit terms	-	-	(17,860)
Differences between expected and actual experience	-	(3,692)	46,703
Changes of assumptions	(554)	638	(802,782)
Benefit payments	(978)	(1,101)	(910,227)
<b>Net change in total OPEB liability</b>	<u>\$ (270)</u>	<u>\$ (2,857)</u>	<u>\$ (620,736)</u>
<b>Total OPEB liability - beginning</b>	<u>14,951</u>	<u>14,681</u>	<u>11,824,071</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 14,681</u></u>	<u><u>\$11,824</u></u>	<u><u>\$ 11,203,335</u></u>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 \$ 2,654	 \$ 1,937	 \$ 2,221,128
 <b>Employer's proportionate share of the collective total OPEB liability</b>	 \$ 12,027	 \$ 9,887	 \$ 8,982,207
 <b>Covered-employee payroll</b>	 23,854	 21,181	 20,503,967
 <b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	 50.42%	 46.68%	 43.81%

**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.

Prior year numbers expressed in thousands. Beginning FY 2020, numbers will be expressed in whole.

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**

**Closed Tennessee Plan**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 25	\$ 21	\$ 17,706
Interest	36	41	34,590
Differences between expected and actual experience	-	(196)	169,480
Changes of assumptions	(106)	(8)	21,504
Benefit payments	(39)	(41)	(39,648)
<b>Net change in total OPEB liability</b>	<u>\$ (84)</u>	<u>\$ (182)</u>	<u>\$ 203,632</u>
<b>Total OPEB liability - beginning</b>	<u>1,224</u>	<u>1,140</u>	<u>957,453</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$1,140</u></u>	<u><u>\$ 957</u></u>	<u><u>\$1,161,085</u></u>
 <b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	 \$1,140	 \$ 957	 \$1,161,085
 <b>Employer's proportionate share of the collective total OPEB liability</b>	 \$ -	 \$ -	 \$ -
 <b>Covered-employee payroll</b>	 23,854	 21,181	 20,503,967
 <b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	 0%	 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.

Prior year numbers expressed in thousands. Beginning FY 2020, numbers will be expressed in whole.

**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, 2020**

	<u>Special Revenues Funds</u>			
	<u>Food Service Fund</u>	<u>Federal Projects Fund</u>	<u>Community Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 25	\$ 25
Accounts receivable	380	-	44,258	44,638
Due from other governments	97,097	420,923	2,651	520,671
Inventory	35,161	-	-	35,161
	<u>\$ 132,638</u>	<u>\$ 420,923</u>	<u>\$ 46,934</u>	<u>\$ 600,495</u>
<u>Liabilities</u>				
Accrued payroll and other liabilities	\$ 102,043	\$ 131,343	\$ 60,335	\$ 293,721
Due to other funds	23,095	289,580	248,390	561,065
Advance of cafeteria charges	55,499	-	-	55,499
Advance of tuition	-	-	50,617	50,617
	<u>180,637</u>	<u>420,923</u>	<u>359,342</u>	<u>960,902</u>
<u>Fund Balances:</u>				
Nonspendable:				
Inventory	35,161	-	-	35,161
Unassigned	(83,160)	-	(312,408)	(395,568)
Total Fund Balance	<u>(47,999)</u>	<u>-</u>	<u>(312,408)</u>	<u>(360,407)</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 132,638</u>	 <u>\$ 420,923</u>	 <u>\$ 46,934</u>	 <u>\$ 600,495</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

**Nonmajor Governmental Funds**

**June 30, 2020**

	Special Revenues Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Federal Projects Fund	Community Service Fund	
<b>Revenues</b>				
Intergovernmental:				
USDA and cafeteria related funds	\$ 1,546,867	\$ -	\$ -	\$ 1,546,867
Federal instruction, learning center and safety funds	-	579,373	80,912	660,285
Special education/IDEA funds	-	788,265	-	788,265
Charges for services:				
Cafeteria charges	535,626	-	-	535,626
Tuition and fees	-	-	969,145	969,145
Rebates and Other	90,059	-	-	90,059
Other	14,503	-	59,762	74,265
<b>Total Revenues</b>	<b>2,187,055</b>	<b>1,367,638</b>	<b>1,109,819</b>	<b>4,664,512</b>
<b>Expenditures</b>				
Food service:				
Labor	1,005,658	-	-	1,005,658
Employee benefits	284,740	-	-	284,740
Food	843,578	-	-	843,578
Other Costs	214,879	-	-	214,879
Regular instruction:				
Labor	-	356,613	-	356,613
Employee benefits	-	105,231	-	105,231
Supplies and materials	-	47,388	-	47,388
Other costs	-	61,160	-	61,160
Special needs instruction:				
Labor	-	452,332	-	452,332
Employee benefits	-	248,214	-	248,214
Supplies and materials	-	14,670	-	14,670
Other Costs	-	30,569	-	30,569
Transportation:				
Contracted services	-	400	-	400
Repairs and Maintenance	-	306	-	306
Program Costs:				
Labor	-	-	995,107	995,107
Employee benefits	-	-	259,263	259,263
Supplies and materials	-	350	-	350
Other costs	-	-	90,382	90,382
<b>Total Expenditures</b>	<b>2,348,855</b>	<b>1,317,233</b>	<b>1,344,752</b>	<b>5,010,840</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(161,800)</b>	<b>50,405</b>	<b>(234,933)</b>	<b>(346,328)</b>
<b>Other Financing Sources (Uses):</b>				
Transfer in (out)	-	(50,405)	-	(50,405)
<b>Total Expenditures</b>	<b>-</b>	<b>(50,405)</b>	<b>-</b>	<b>(50,405)</b>
<b>Net Change in Fund Balance</b>	<b>(161,800)</b>	<b>-</b>	<b>(234,933)</b>	<b>(396,733)</b>
<b>Fund Balance, Beginning of Year</b>	<b>96,967</b>	<b>-</b>	<b>(77,475)</b>	<b>19,492</b>
Change in reserve for inventory	16,834	-	-	16,834
<b>Fund Balance, End of Year</b>	<b>\$ (47,999)</b>	<b>\$ -</b>	<b>\$ (312,408)</b>	<b>(360,407)</b>

See Independent Auditor's Report.

**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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenues				
USDA reimbursements	\$ 1,275,410	\$ 1,275,410	\$ 1,390,690	\$ 115,280
State matching	189,000	189,000	156,177	(32,823)
Total intergovernmental	<u>1,464,410</u>	<u>1,464,410</u>	<u>1,546,867</u>	<u>82,457</u>
Charges for services				
Student lunches	467,000	467,000	325,917	(141,083)
Adult lunches	49,000	49,000	33,135	(15,865)
Student breakfast	72,000	72,000	64,492	(7,508)
A-la-carte sales	142,000	142,000	112,082	(29,918)
Rebates and other	140,000	140,000	90,059	(49,941)
Total charges for services	<u>870,000</u>	<u>870,000</u>	<u>625,685</u>	<u>(244,315)</u>
Other				
Sale of Equipment	-	-	3,003	3,003
Contributions & Gifts	-	-	11,500	11,500
Total other	<u>-</u>	<u>-</u>	<u>14,503</u>	<u>14,503</u>
Total Revenues	<u>2,334,410</u>	<u>2,334,410</u>	<u>2,187,055</u>	<u>(150,358)</u>
Expenditures:				
Food	937,410	937,410	843,578	93,832
Labor	880,228	897,950	1,005,658	(107,708)
Fringe benefits	291,761	291,761	284,740	7,021
Supplies	132,500	132,500	156,554	(24,054)
Transportation	8,400	8,400	7,227	1,173
Repairs and maintenance	17,000	17,000	10,846	6,154
Other	47,000	47,000	40,252	6,748
Total Expenditures	<u>2,314,299</u>	<u>2,332,021</u>	<u>2,348,855</u>	<u>(16,834)</u>
Excess (deficiency) revenues over expenditures (Net change in Fund Balance)	<u>20,111</u>	<u>2,389</u>	<u>(161,800)</u>	<u>(167,192)</u>
Fund Balance, Beginning of Year	<u>96,967</u>	<u>96,967</u>	<u>96,967</u>	<u>-</u>
Change in Reserve for Inventory	<u>-</u>	<u>-</u>	<u>16,834</u>	<u>16,834</u>
Fund Balance, End of Year	<u>\$ 117,078</u>	<u>\$ 99,356</u>	<u>\$ (47,999)</u>	<u>\$ (147,355)</u>

**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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenues				
Title I	\$ 471,697	\$ 537,884	\$ 458,069	\$ (79,815)
Title II	76,789	92,193	92,128	(65)
Title III	44,524	51,998	23,737	(28,261)
Title IV Safe & Drug-Free Schools	29,000	15,487	5,439	(10,048)
IDEA - part B and preschool	800,617	808,994	788,265	(20,729)
Total Revenues	<u>1,422,627</u>	<u>1,506,556</u>	<u>1,367,638</u>	<u>(138,918)</u>
Expenditures:				
Regular instruction:				
Other salaries	381,589	376,500	356,613	19,887
Benefits	113,932	111,363	105,231	6,132
Instructional supplies and materials	66,880	74,470	47,388	27,082
Other	22,480	122,691	61,160	61,531
Total regular instruction	<u>584,881</u>	<u>685,024</u>	<u>570,392</u>	<u>114,632</u>
Special needs instruction:				
Teachers and assistants	468,489	459,688	452,332	7,356
Benefits	251,690	251,690	248,214	3,476
Supplies	14,531	16,960	14,670	2,290
Contracted services	16,824	25,624	25,629	(5)
Other	2,000	8,000	4,940	3,060
Total special needs instruction	<u>753,534</u>	<u>761,962</u>	<u>745,785</u>	<u>16,177</u>
Transportation:				
Benefits	43	43	-	43
Contracted services	1,000	1,000	400	600
Repairs and Maintenance	1,750	1,800	306	1,494
Total transportation	<u>2,793</u>	<u>2,843</u>	<u>706</u>	<u>2,137</u>
Program costs:				
Supplies and materials	30,020	1,856	350	1,506
Total program costs	<u>30,020</u>	<u>1,856</u>	<u>350</u>	<u>1,506</u>
Total Expenditures	<u>1,371,228</u>	<u>1,451,685</u>	<u>1,317,233</u>	<u>134,452</u>
Excess (deficiency) revenues over expenditures	51,399	54,871	50,405	(4,466)
Other Financing Sources (Uses):				
Transfers out	<u>(51,399)</u>	<u>(54,871)</u>	<u>(50,405)</u>	<u>(4,466)</u>
Total Other Financing Sources (Uses)	<u>(51,399)</u>	<u>(54,871)</u>	<u>(50,405)</u>	<u>(4,466)</u>
Net change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

**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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
Learning center grant	\$ 134,899	\$ 134,899	\$ 80,912	\$ (53,987)
Charges for services				
Tuition and fees	1,314,339	1,314,339	969,145	(345,194)
Total charges for services	<u>1,449,238</u>	<u>1,449,238</u>	<u>1,050,057</u>	<u>(399,181)</u>
Other				
Miscellaneous	33,203	33,203	59,762	26,559
Total other	<u>33,203</u>	<u>33,203</u>	<u>59,762</u>	<u>26,559</u>
Total Revenues	<u>1,482,441</u>	<u>1,482,441</u>	<u>1,109,819</u>	<u>(372,622)</u>
Expenditures:				
Labor	986,630	986,630	995,107	(8,477)
Fringe benefits	267,957	267,957	259,263	8,694
Supplies	64,231	64,231	20,390	43,841
Food	42,420	42,420	33,797	8,623
Other	43,725	43,726	36,195	7,531
Total Expenditures	<u>1,404,963</u>	<u>1,404,964</u>	<u>1,344,752</u>	<u>60,212</u>
Excess (deficiency) revenues over expenditures	77,478	77,477	(234,933)	(312,410)
Net change in Fund Balance	77,478	77,477	(234,933)	(312,410)
Fund Balance, Beginning of Year	<u>(77,475)</u>	<u>(77,475)</u>	<u>(77,475)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ (312,408)</u>	<u>\$ (312,410)</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Impact fees	\$ 700,000	\$ 700,000	\$ 883,921	\$ 183,921
Total intergovernmental revenues				
Other revenue from local sources:				
Interest earnings	300,000	800,000	466,348	(333,652)
Total Revenues	1,000,000	1,500,000	1,350,269	(149,731)
Expenditures:				
Current:				
Regular instruction	1,690,500	1,720,500	1,237,064	483,436
Total current expenditures	1,690,500	1,720,500	1,237,064	483,436
Capital outlay:	13,385,250	5,385,250	2,174,222	3,211,028
Total Expenditures	15,075,750	7,105,750	3,411,286	3,694,464
Excess (deficiency) revenues over expenditures	(14,075,750)	(5,605,750)	(2,061,017)	(3,544,733)
Other Financing Sources (Uses):				
Bond Proceeds	13,700,500	200,500	-	200,500
Transfers In (Out)	-	(1,288,100)	(1,288,100)	-
Total Other Financing Sources (Uses):	13,700,500	(1,087,600)	(1,288,100)	200,500
Net change in Fund Balance	(375,250)	(6,693,350)	(3,349,117)	(3,344,233)
Fund Balance, Beginning of Year	30,301,338	30,301,338	30,301,338	-
Fund Balance, End of Year	\$ 16,225,588	\$ 24,695,588	\$ 26,952,221	\$ 3,544,733

**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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	6,932,057	6,932,057	6,923,133	\$ (8,924)
Property tax - prior year	50,000	50,000	40,036	(9,964)
Property tax - pick-up	20,000	20,000	18,440	(1,560)
Interest and penalty on delinquent taxes	11,500	11,500	10,210	(1,290)
Total special school district taxes	<u>7,013,557</u>	<u>7,013,557</u>	<u>6,991,819</u>	<u>(21,738)</u>
Other revenue from local sources:				
Interest earnings	30,000	30,000	20,817	(9,183)
Total Revenues	<u>7,043,557</u>	<u>7,043,557</u>	<u>7,012,636</u>	<u>(30,921)</u>
Expenditures:				
Other:				
Trustee's commission	140,871	140,871	139,993	878
Debt Service:				
Principal on bonds, notes, and capital leases	5,705,000	5,705,000	5,705,000	-
Interest on bonds, notes, and capital leases	1,164,868	2,452,968	2,449,818	3,150
Total Debt Service	<u>6,869,868</u>	<u>8,157,968</u>	<u>8,154,818</u>	<u>3,150</u>
Total Expenditures	<u>7,010,739</u>	<u>8,298,839</u>	<u>8,294,811</u>	<u>4,028</u>
Excess (deficiency) revenues over expenditures	32,818	(1,255,282)	(1,282,175)	(26,893)
Other Financing Sources (Uses):				
Transfers In	-	1,288,100	1,288,100	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,288,100</u>	<u>1,288,100</u>	<u>-</u>
Net Change in Fund Balance	32,818	32,818	5,925	(26,893)
Fund Balance, Beginning of Year	<u>661,523</u>	<u>661,523</u>	<u>661,523</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 694,341</u>	<u>\$ 694,341</u>	<u>\$ 667,448</u>	<u>\$ (26,893)</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Capital Assets Used in the Operation of Governmental Funds

### Schedule By Function and Activity

June 30, 2020

Function and Activity	Land	Improvements	Buildings	Equipment	Vehicles	Total
Instruction	\$ -	\$ -	\$ -	\$ 6,272,732	\$ -	\$ 6,272,732
Attendance and health	-	-	-	32,728	-	32,728
Transportation	-	-	-	64,541	3,001,286	3,065,827
Plant operation and maintenance	2,226,322	47,423,944	56,805,314	229,435	219,577	106,904,592
Community services	-	-	-	56,630	-	56,630
Food service	-	-	-	1,943,800	-	1,943,800
Administration	-	-	-	690,720	-	690,720
	<u>\$ 2,226,322</u>	<u>\$ 47,423,944</u>	<u>\$ 56,805,314</u>	<u>\$ 9,290,586</u>	<u>\$ 3,220,863</u>	<u>\$ 118,967,029</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	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Instruction	\$ 6,181,875	\$ 93,074	\$ (2,217)	\$ 6,272,732
Attendance and health	32,728	-	-	32,728
Transportation	2,956,777	109,050	-	3,065,827
Plant operation and maintenance	102,779,955	4,139,061	(14,424)	106,904,592
Community services	56,630	-	-	56,630
Food service	1,997,700	-	(53,900)	1,943,800
Administration	690,720	-	-	690,720
	<u>\$ 114,696,385</u>	<u>\$ 4,341,185</u>	<u>\$ (70,541)</u>	<u>\$ 118,967,029</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Schedule of Cash and Cash Equivalents

All Funds

June 30, 2020

	<u>Interest Rate</u>	<u>Amount</u>
Major Funds:		
<u>General Fund</u>		
Checking and savings accounts	Various	\$ 2,203,425
Local government investment pool	Various	<u>5,378,652</u>
Total General Fund		<u>7,582,077</u>
<u>Debt Service Fund</u>		
Checking and savings accounts	Various	416,454
Local government investment pool	Various	<u>232,712</u>
		<u>649,166</u>
<u>Capital Projects Fund</u>		
Checking and savings accounts	Various	121,608
Local government investment pool	Various	<u>27,304,909</u>
		<u>27,426,517</u>
Nonmajor Funds:		
<u>Federal Projects Fund</u>		
Checking and savings account		<u>-</u>
<u>Food Service Fund</u>		
Checking and savings accounts		<u>-</u>
<u>Community Service Fund</u>		
Cash		<u>25</u>
Total		<u><u>\$ 35,657,785</u></u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Schedule of Long-Term Debt Requirements

June 30, 2020

Fiscal Year	1999 Series	2012 Series	2014 Series	2016 Series	2019 Series	Total Principal	Interest	Total Principal & Interest
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>\$ -</u>	<u>\$ 730,000</u>	<u>\$ 7,855,000</u>	<u>\$ 17,190,000</u>	<u>\$ 26,500,000</u>	<u>52,275,000</u>	<u>23,058,335</u>	<u>\$ 75,333,335</u>

See Independent Auditor's Report.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures/ Uses
<b>U.S. Department of Education</b>			
<b><i>Special Education (IDEA)- Cluster</i></b>			
Department of Education Pass-Through			
Programs From:			
Tennessee Department of Education -IDEA Part B	* 84.027	H027A150052	\$ 858,572
Tennessee Department of Education - IDEA Preschool	* 84.173	H173A150095	23,288
<b><i>Total Special Education (IDEA)- Cluster</i></b>			<u>881,860</u>
Department of Education Pass-Through			
Programs From:			
Tennessee Department of Education -Title I	84.010 A	S010A150042	458,068
Tennessee Department of Education - Title II, Part A	84.367 A	S013A150042	92,128
Tennessee Department of Education - Title III, Part A	84.365 A	S365A150042	22,303
Title III, Immigrant	84.365 A	S365A150042	1,434
Tennessee Department of Education - Title IV	84.424 A	S424A170044	5,439
<b>Total Department of Education</b>			<u>1,461,232</u>
<b>U.S. Department of Agriculture</b>			
<b><i>Child Nutrition- Cluster</i></b>			
Department of Agriculture Pass-Through			
Programs From:			
Tennessee Department of Agriculture- National School Lunch Program- Cash	* 10.555	HC16AAX16	983,831
National School Lunch Program- Commodities	* 10.555	HC16AAX16	161,289
Tennessee Department of Agriculture- School Breakfast Program	* 10.553	HD16AAX16	245,569
<b><i>Total Child Nutrition Cluster</i></b>			1,390,689
Tennessee Department of Agriculture- Child and Adult Care Food Program	10.558	HF16AAX16	139,783
<b>Total Department of Agriculture</b>			<u>1,530,472</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,991,704</u></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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Balance July 1, 2019	Receipts	Expenditures/ Uses	Balance June 30, 2020
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	\$ (266,645)	\$ 894,966	\$ 858,572	\$ (230,251)
TN Department of Education - IDEA Preschool	*	84.173	H173A150095	(7,748)	19,995	23,288	(11,041)
Total Special Education (IDEA)- Cluster				(274,393)	914,961	881,860	(241,292)
Department of Education Pass-Through							
Programs From:							
Tennessee Department of Education -Title I		84.010 A	S010A150042	(162,711)	471,198	458,068	(149,581)
Tennessee Department of Education - Title II, Part A		84.367 A	S013A150042	(31,389)	94,263	92,128	(29,254)
Tennessee Department of Education - Title III, Part A		84.365 A	S365A150042	(5,834)	27,548	22,303	(589)
Title III, Immigrant		84.365 A	S365A150042	(2,191)	3,625	1,434	-
Tennessee Department of Education -Title IV		84.424 A	S424A170044	(5,585)	10,817	5,439	(207)
Title IV, Student Support & Academic Enrich.		84.424 A	S424A170044	(38)	38	-	-
Read to be Ready Grant		93.575	G1701TNCCDF	(35,350)	35,350	-	-
Total U.S. Department of Education				(517,491)	1,557,800	1,461,232	(420,923)
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	(48,545)	972,569	983,831	(59,807)
National School Lunch Program-Commodities	*	10.555	HC16AAX16	-	161,289	161,289	-
Tennessee Department of Education- School Breakfast Program	*	10.553	HD16AAX16	(18,750)	227,029	245,569	(37,290)
Total Child Nutrition Cluster				(67,295)	1,360,887	1,390,689	(97,097)
Tennessee Department of Education- Child and Adult Care Food Program		10.558		-	139,783	139,783	-
Total U.S. Department of Agriculture				(67,295)	1,500,670	1,530,472	(97,097)
Total Expenditures of Federal Awards				\$ (584,786)	\$ 3,058,470	\$ 2,991,704	\$ (518,020)
State Grants		State Number					
Tennessee Department of Education							
Direct Programs:							
Lottery for Pre K/Pre K Pilot		N/A		\$ (114,256)	\$ 342,620	\$ 304,603	\$ (76,239)
Lottery for Education After School		N/A		(7,199)	85,460	80,912	(2,651)
Coordinated School Health Grant		N/A		(21,862)	76,465	80,000	(25,397)
Safe School Act of 1998		N/A		(104,300)	104,300	49,234	(49,234)
2019 Teacher of the Year		N/A		(25,000)	25,000	-	-
Portfolio Review Stipends		N/A		(2,650)	2,650	-	-
BEP		N/A		-	14,867,514	14,867,514	-
Child Nutrition -State Match		N/A		-	16,393	16,393	-
Career Ladder		N/A		10,939	50,495	84,870	(23,436)
				\$ (264,328)	\$ 15,570,897	\$ 15,483,526	\$ (176,957)

\* Major Program

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

## FRANKLIN SPECIAL SCHOOL DISTRICT

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

#### **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, 2020. 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, 2020

Insurance Company	Type of Insurance	Amount	Coverage
The Ohio Casualty Insurance Co.	Public Official Bond	\$ 1,272,033	Director of Schools
The Netherlands Insurance Company	Crime Coverage:		
\$500 Deductible per Occurrence	Forgery and Alteration	150,000	Per Occurrence
\$500 Deductible per Occurrence	Blanket Public Employee Dishonesty	150,000	Per Occurrence
\$500 Deductible per Occurrence	Theft, Disappearance and Destruction - Inside Limit	150,000	Per Occurrence
\$500 Deductible per Occurrence	Theft, Disappearance and Destruction - Outside Limit	150,000	Per Occurrence
\$500 Deductible per Occurrence	Computer Fraud	150,000	Per Occurrence
\$500 Deductible per Occurrence	Money Orders and Paper Counterfeit Currency	150,000	Per Occurrence
\$500 Deductible per Occurrence	Funds Transfer Fraud	100,000	Per Occurrence
The Netherlands Insurance Company	Property Coverage:		
\$1,000 Deductible	Blanket Building & Contents	163,285,446	Limit All Locations
Per Occurrence	Equipment Breakdown	100,000,000	Limit All Locations
	Business Income/Extra Expense	100,000	Limit All Locations
	Extra Expense	1,000,000	Per Occurrence
	Ordinance or Law	500,000	Per Occurrence
	Valuable Papers & Records	100,000	Per Occurrence
	Paved Surfaces	100,000	Per Occurrence
	Signs	100,000	Per Occurrence
	Property Off-Premises	50,000	Per Occurrence
	Outdoor Property	100,000	Per Occurrence
	Accounts Receivable	100,000	Per Occurrence
\$500 Deductible	Miscellaneous Property	64,700	Per Occurrence
\$500 Deductible	Radios and Cameras	50,000	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
The Netherlands Insurance Company	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
	Violent Event Response Coverage	300,000	Each Occurrence & Annual Aggregate
\$1,000 Deductible	Law Enforcement Professional Liability	1,000,000	Per Occurrence & Annual Aggregate
	Non-Monetary Relief Defense	100,000	Per Occurrence
Beazley Insurance Company	Cyber Defense, Liability and Breach Response Expense	1,000,000	Per Occurrence & Annual Aggregate
The Netherlands Insurance Company	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
\$1,000 Collision Deductible-Buses			Old or Newer
\$500 Collision Deductible-All Others			Actual Cash Value for all other Vehicles
	Uninsured & Underinsured Motorist	1,000,000	Per Occurrence for Bodily Injury
			And Property Damage
	Medical Payments	5,000	Per Person
The Netherlands Insurance Company	School Leaders Errors and Omissions Liability	1,000,000	Per Claim & Annual Aggregate
\$2,500 Deductible	Non-Monetary Relief Defense	100,000	Per Claim & Annual Aggregate
Peerless Insurance Company	Umbrella	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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2020.

## **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.

A handwritten signature in blue ink that reads "Matlock Clements, P.C." in a cursive script.

Matlock Clements, P.C.  
December 3, 2020

## **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, 2020. 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, 2020.

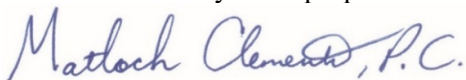
## Report on Internal Control over Compliance

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.  
December 3, 2020

**FRANKLIN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020**

**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.