

**FRANKLIN SPECIAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2011**

*Randall*  
**Matlock & Associates, P.C.**  

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CERTIFIED PUBLIC ACCOUNTING & CONSULTING

# FRANKLIN SPECIAL SCHOOL DISTRICT

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## **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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and the budgetary comparison of General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is and integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5-15 and the Required Supplementary Information on page 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Combining and Individual Nonmajor Fund Statements and Schedules, and the Financial Schedules Section as listed in the table of contents on pages 52-61, are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 58 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements of the District. The Combining and Individual Nonmajor Fund Statements and Schedules and the Financial Schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Randall Matlock & Associates, P.C." in a cursive script.

December 12, 2011

# 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, 2011.

### *FINANCIAL HIGHLIGHTS*

- The assets of the District exceeded its liabilities by approximately \$12.5 million for the fiscal year while net assets increased \$1,574,551.
- Outlays for new capital assets totaled approximately \$456,848 and consisted of technology equipment, various repairs and improvements and two new school buses.

### *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 Assets 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 Assets 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 and liabilities 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 assets and changes in those assets and begin on page 17. The change in net assets 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.

#### **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 19 and provide detailed information

## **FRANKLIN SPECIAL SCHOOL DISTRICT**

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

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 Assets 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 Assets*

As noted earlier, net assets may serve over time as a useful indicator of a school district's financial position. In the case of the District, assets exceeded liabilities at the close of the fiscal year, resulting in net assets of approximately \$12.5 million.

A schedule of the District's net assets at June 30, 2010 (for comparison) and 2011 follows:

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis**

	<i>Governmental Activities</i>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 39,853,051	\$ 36,900,608
Capital assets, net	<u>62,416,588</u>	<u>64,801,262</u>
<i>Total assets</i>	<u>102,269,639</u>	<u>101,701,870</u>
Long-term liabilities	52,516,247	54,563,890
Other liabilities	<u>37,235,193</u>	<u>36,194,332</u>
<i>Total liabilities</i>	<u>89,751,440</u>	<u>90,758,222</u>
<i>Net assets:</i>		
Invested in capital assets, net of related debt	19,984,527	18,537,115
Restricted	3,734,585	2,970,970
Unrestricted	(11,200,913)	(10,564,437)
<i>Total net assets</i>	<u>\$ 12,518,199</u>	<u>\$ 10,943,648</u>

Over 100% of the Districts net assets relates to the investment in capital assets net of related debt. This has resulted primarily due to the District’s use of capital appreciation bonds and the accreted interest on these bonds. Long-term debt includes almost \$10.1 million in accreted interest for capital appreciation bonds which are not included in debt for the calculation of investment in capital assets net of related debt. The District uses capital assets to provide services to its roughly 3,655 public school students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Additionally, a portion of the District’s net assets (approximately \$3.7 million or 30%) represents resources subject to external restrictions on how they may be used. And as can be seen from the schedule above, the unrestricted net assets result in a deficit.

*Changes in Net Assets*

The District’s activities are categorized as “governmental” activities. Net assets of the District’s governmental activities increased by \$1,574,551. The increase in net assets resulted primarily from the general purpose revenue exceeding expenditures.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page reflects the “total” cost of program services and the “net” cost of those services after taking into account the program revenues for the specific governmental activities.

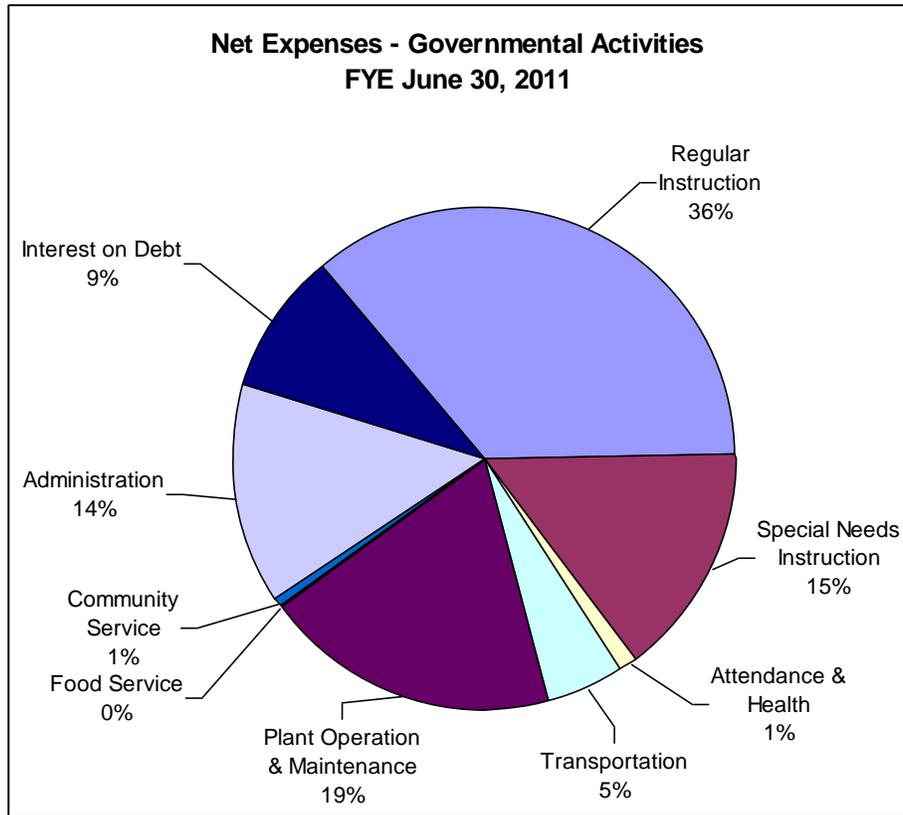
# FRANKLIN SPECIAL SCHOOL DISTRICT

## Management's Discussion and Analysis

<b>Change in Net Assets - Governmental Activities</b>				
	<i>Total Cost</i>	<i>Less: Program</i>	<i>Net Cost</i>	<i>Net Cost</i>
	<i>of Services</i>	<i>Revenues</i>	<i>of Services</i>	<i>of Services</i>
<b>Program Expenses:</b>	<b>2011</b>			<b>2010</b>
Instruction:				
Regular	\$ 26,907,961	\$ (15,651,765)	\$ 11,256,196	\$ 11,613,018
Special needs	6,037,846	(1,408,507)	4,629,339	4,452,353
Support Services:				
Attendance and health	355,953	-	355,953	358,683
Transportation	1,584,473	-	1,584,473	1,522,360
Plant operations and maintenance	5,968,125	-	5,968,125	5,016,202
Food service	1,719,885	(1,668,925)	50,960	139,599
Community service	1,124,564	(979,434)	145,130	576,303
Administration	4,476,339		4,476,339	4,172,917
Interest on debt	2,845,495	-	2,845,495	2,957,549
Total	<u>\$ 51,020,641</u>	<u>\$ (19,708,631)</u>	31,312,010	30,808,984
<b>Less: General Revenues</b>			32,886,561	30,599,798
<b>Change in Net Assets</b>			<u>\$ 1,574,551</u>	<u>\$ (209,186)</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Management's Discussion and Analysis

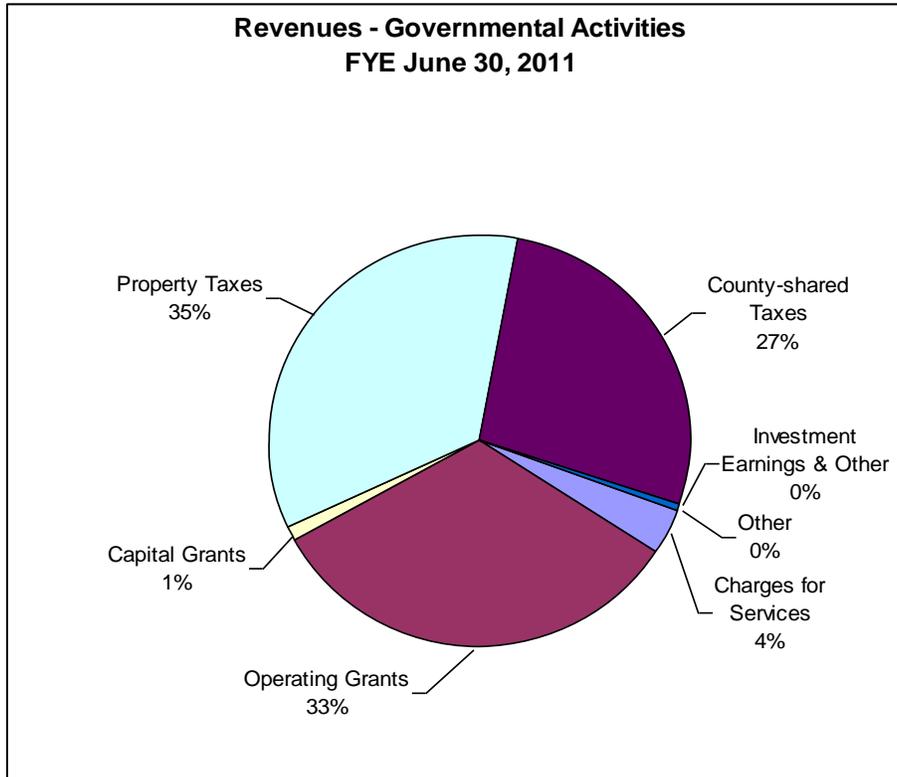


The graph on the preceding page indicates that the net cost of regular and special needs instruction and plant operations and maintenance represent the largest components of the District's governmental activities, 51% and 19%, respectively. The District relies on general revenues, including tax revenue and unrestricted State BEP funds, to support the net cost of its governmental activities. As the chart below indicates, \$32.9 million of general revenues were realized to support \$31.3 million of governmental activities.

	<i>Governmental 2011 Activities</i>		<i>Governmental 2010 Activities</i>	
		%		%
<b>Program Revenues:</b>				
Charges for services	\$ 1,930,479	3.7%	\$ 1,855,511	3.8%
Operating grants	17,165,091	32.6%	16,602,005	33.6%
Capital grants	613,061	1.2%	379,411	0.8%
	<u>19,708,631</u>	<u>37.5%</u>	<u>18,836,927</u>	<u>38.1%</u>
<b>General Revenues:</b>				
Property taxes	18,456,597	35.1%	17,659,348	35.7%
County-shared taxes	14,102,158	26.8%	12,693,279	25.7%
Investment earnings	87,400	0.2%	101,883	0.2%
Other	240,406	0.5%	145,288	0.3%
	<u>32,886,561</u>	<u>62.5%</u>	<u>30,599,798</u>	<u>61.9%</u>
<b>Total Revenues</b>	<u>\$ 52,595,192</u>	<u>100.0%</u>	<u>\$ 49,436,725</u>	<u>100.0%</u>

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Management's Discussion and Analysis



Property taxes and county-shared taxes, including sales tax and State BEP funds, accounted for most of the District's general revenues, contributing about 35 cents and 27 cents, respectively, of every dollar raised. Another 33% came from State and Federal funds for specific programs, and the remainder from fees charged for services and miscellaneous sources.

### ***FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS***

The District's governmental funds (as presented on the Balance Sheet on page 19) reported a combined fund balance of \$6.3 million, an increase of almost \$2.1 million from the prior year. The schedule below indicates the fund balance and the total change in fund balance by fund as of June 30, 2011.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Management's Discussion and Analysis**

	<u>Balance,</u> <u>June 30, 2011</u>	<u>Balance,</u> <u>June 30, 2010</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 3,066,940	\$ 1,644,558	\$ 1,422,382
Debt Service	2,722,347	2,158,777	563,570
Capital Projects	967,802	922,274	45,528
Nonmajor Funds:			
Food Service	(198,697)	(237,757)	39,060
Federal Projects	-	-	-
Community Service	<u>(294,097)</u>	<u>(261,278)</u>	<u>(32,819)</u>
Total	<u>\$ 6,264,295</u>	<u>\$ 4,226,574</u>	<u>\$ 2,037,721</u>

*General Fund*

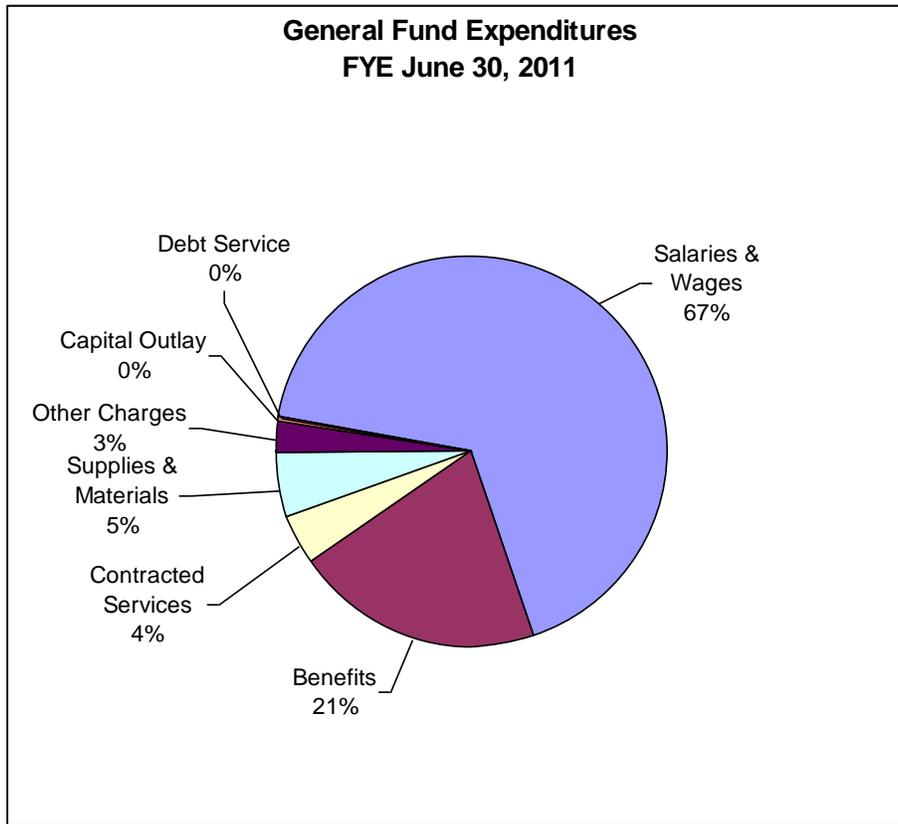
The General Fund is the chief operating fund of the District. At the end of the fiscal year, the total fund balance of the General Fund was \$3,066,940. The unreserved fund balance of 3.0 million is available for spending at the District's discretion. The remaining fund balance is reserved for special programs. As a measure of liquidity, the unreserved fund balance represents 7.7% of total General Fund expenditures.

Revenue exceeded expenditures for the fiscal year, which resulted in an increase to the fund balance of \$1,422,382.

The District is a service entity and as such is labor intensive. As the graph on the next page illustrates, 88% 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**

	<u>2011</u>	<u>2010</u>
Salaries & Wages	\$ 26,191,901	\$ 26,494,257
Benefits	8,043,708	7,673,479
Contracted Services	1,685,775	1,515,167
Supplies & Materials	2,064,384	1,925,962
Other Charges	1,111,263	1,114,509
Capital Outlay	82,541	39,351
Debt Service	6,004	3,220
<b>Total</b>	<b><u>\$ 39,185,576</u></b>	<b><u>\$ 38,765,945</u></b>

*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 \$563,570 due to increased revenues 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.

## **FRANKLIN SPECIAL SCHOOL DISTRICT**

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

The District operates a food service program in each of its seven schools. The Food Service Fund's fund balance increased \$39,060 due primarily to the summer feeding program. 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.

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 \$32,819 due primarily to lower MAC program participation.

The fund balance of the Capital Outlay Fund increased \$45,528 due to better than anticipated revenue collections. Revenue of this fund comes from the District's share of county impact fees. Expenditures consisted of two new buses, various repairs and improvements and technology equipment for instructional purposes throughout the District.

### ***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 \$39.6 million and the estimated revenues and transfers totaled \$39.6 million. Final budgeted expenditures in the General Fund were \$40.3 million. Amendments related primarily to grants.

During the year, however, the District realized slightly better than expected revenue collections and made an effort to spend conservatively. The original budget was amended accordingly. Consequently, expenditures were less than budgetary estimates by \$1,064,559 at year-end, and actual revenues exceeded budgetary estimates by \$554,517. Subsequently, revenues and transfers for the fiscal year exceeded total expenditures, increasing the fund balance by \$1,422,382.

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

#### **Capital Assets**

The District has \$62.4 million invested in capital assets (net of accumulated depreciation of \$32.1 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.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Management's Discussion and Analysis**

Acquisitions consisting of technology equipment, two buses, various repairs and improvements totaled \$456,848. Detailed information regarding capital asset activity is included in the notes to financial statements (see Note 3).

The District's capital assets at June 30, 2011 as summarized by location follow:

<u>Location</u>	<u>Owned</u>		<u>Accumulated</u>		<u>2011</u>	<u>2010</u>
	<u>Acreage</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Cost, Net</u>	<u>Cost, Net</u>	
Franklin Elementary	16.7	\$ 11,354,497	\$ 4,893,366	\$ 6,461,131	\$ 6,721,055	
Johnson Elementary	13.7	7,445,776	2,180,251	5,265,525	5,428,583	
Liberty Elementary	37.0	7,644,967	3,789,214	3,855,753	3,993,432	
Moore Elementary	20.0	11,224,947	3,558,476	7,666,471	7,975,587	
Freedom Intermediate	25.0	18,904,152	3,867,420	15,036,732	15,887,017	
Freedom Middle	37.4	12,624,096	5,499,528	7,124,568	7,338,245	
Poplar Grove	37.3	21,021,114	5,600,849	15,420,265	15,875,771	
Central Office	2.6	600,754	329,753	271,001	287,558	
Central Office Annex	6.6	1,228,886	719,616	509,270	484,293	
Transportation	-	2,214,115	1,545,152	668,963	675,990	
Maintenance/Landscaping	-	298,506	161,597	136,909	133,731	
<b>Total</b>	<b>196.3</b>	<b>\$ 94,561,810</b>	<b>\$ 32,145,222</b>	<b>62,416,588</b>	<b>64,801,262</b>	
Less: Outstanding Debt				(42,432,061)	(46,419,042)	
Plus: Bond Proceeds (net of contracts payable)				-	154,924	
<b>Net Investment in Capital Assets</b>				<b>\$ 19,984,527</b>	<b>\$ 18,537,144</b>	

**Long-Term Debt**

At June 30, 2011, the District had general obligation bonds outstanding of \$52,900,286, a liability for compensated absences of \$429,540 and a net OPEB obligation of \$3,811,180. This is as compared to the June 30, 2010, balances of \$55,703,386 for general obligation bonds, \$84,172 in capital outlay notes and leases, \$381,060 for compensated absences and a net OPEB obligation of \$2,921,052. 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 to the normal schedule of payments.

The District maintains an "Aa2" 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 4).

## **FRANKLIN SPECIAL SCHOOL DISTRICT**

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

#### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES***

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

- There will be an increase in BEP funds from the State in the ensuing fiscal year.
- General Purpose revenues will be positively impacted in additional shared County property taxes due to the 10 cent increase for county schools.
- Capital outlays will consist of two new school buses and a new roof on one facility.

All of these factors were considered in preparing the District's budget for the 2011-2012 fiscal year. In conjunction with the FY 2011-2012 budget, the District decided not to increase the property tax rate. Total General Fund appropriations approved by the District's Board of Education total \$41.4 million for the 2011-2012 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 Assets**

**June 30, 2011**

<u>Assets</u>	<u>Primary Government Governmental Activities</u>
Cash and cash equivalents	\$ 8,954,683
Receivables (net of allowance of uncollectibles):	
Taxes	18,125,770
Due from other governments	12,420,224
Accounts receivable	24,689
Inventories	64,353
Other assets	263,332
Restricted assets:	
Cash - bond proceeds	-
Non depreciable capital assets	2,244,827
Depreciable capital assets net accumulated depreciation	<u>60,171,761</u>
 Total Assets	 <u><u>102,269,639</u></u>
 <u>Liabilities</u>	
Accounts payable	105,640
Accrued payroll and other liabilities	4,786,953
Contracts payable	1,401
Accrued interest	126,756
Unearned/deferred revenue	27,993,663
Long-term liabilities due within one year	4,220,780
Long-term liabilities due in more than one year	<u>52,516,247</u>
 Total Liabilities	 <u>89,751,440</u>
 <u>Net Assets</u>	
Investment in capital assets, net of related debt	19,984,527
Restricted for:	
Special programs	43,035
Debt service	2,722,347
Capital projects	969,203
Unrestricted	<u>(11,200,913)</u>
 Total Net Assets	 <u>12,518,199</u>
 Total Liabilities and Net Assets	 <u><u>\$ 102,269,639</u></u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Assets
<b>Functions / Programs:</b>					<u>Primary Governmental Activities</u>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Regular instruction	\$ 26,907,961	\$ 331,157	\$ 14,707,547	\$ 613,061	\$ (11,256,196)
Special needs instruction	6,037,846	-	1,408,507	-	(4,629,339)
Attendance and health	355,953	-	-	-	(355,953)
Transportation	1,584,473	-	-	-	(1,584,473)
Plant operation and maintenance	5,968,125	-	-	-	(5,968,125)
Food service	1,719,885	775,888	893,037	-	(50,960)
Community service	1,124,564	823,434	156,000	-	(145,130)
Administration	4,476,339	-	-	-	(4,476,339)
Interest of debt	2,845,495	-	-	-	(2,845,495)
<b>Total Governmental Activities</b>	<u>\$ 51,020,641</u>	<u>\$ 1,930,479</u>	<u>\$ 17,165,091</u>	<u>\$ 613,061</u>	<u>\$ (31,312,010)</u>
<b>General Revenues:</b>					
Property taxes					18,456,597
County shared taxes					14,102,158
Unrestricted investment earnings and rental income					87,400
Other					<u>240,406</u>
<b>Total general revenues</b>					<u>32,886,561</u>
<b>Change in net assets</b>					1,574,551
<b>Net assets - beginning of year</b>					<u>10,943,648</u>
<b>Net assets - end of year</b>					<u><u>\$ 12,518,199</u></u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds**

**June 30, 2011**

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 5,371,021	\$ 894,034	\$ 2,689,552	\$ 75	\$ 8,954,682
Taxes receivable	12,033,808	-	6,091,962	-	18,125,770
Due from other governments	11,544,274	75,169	-	800,781	12,420,224
Receivables	19,001	-	-	5,688	24,689
Inventory	-	-	-	64,353	64,353
Due from other funds	899,427	-	-	-	899,427
<b>Total Assets</b>	<b>\$ 29,867,531</b>	<b>\$ 969,203</b>	<b>\$ 8,781,514</b>	<b>\$ 870,897</b>	<b>\$ 40,489,145</b>
<u>Liabilities and Fund Balances</u>					
Accounts payable	\$ 105,640	\$ 1,401	\$ -	\$ -	\$ 107,041
Accrued liabilities	4,386,064	-	-	400,889	4,786,953
Due to other funds	-	-	-	899,427	899,427
Deferred revenue	22,308,887	-	6,059,167	63,375	28,431,429
<b>Total Liabilities</b>	<b>\$ 26,800,591</b>	<b>\$ 1,401</b>	<b>\$ 6,059,167</b>	<b>\$ 1,363,691</b>	<b>\$ 34,224,850</b>
Fund Balance:					
Nonspendable:					
Inventory	-	-	-	64,353	64,353
Committed:					
Committed for Debt Service	-	-	2,722,347	-	2,722,347
Committed for Capital Projects	-	967,802	-	-	967,802
Assigned:					
Assigned for Education	43,035	-	-	-	43,035
Unassigned	3,023,905	-	-	(557,147)	2,466,758
<b>Total Fund Balances</b>	<b>3,066,940</b>	<b>967,802</b>	<b>2,722,347</b>	<b>(492,794)</b>	<b>6,264,295</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,867,531</b>	<b>\$ 969,203</b>	<b>\$ 8,781,514</b>	<b>\$ 870,897</b>	<b>\$ 40,489,145</b>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet to the Statement of Net Assets of Governmental Activities**

**June, 30 2011**

<b>Amounts reported for fund balance - total governmental funds</b>		\$ 6,264,295
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		62,416,588
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
County collected and shared taxes		437,767
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(126,756)
Bond issue costs are amortized over the life of the notes in the fund statements.		263,332
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 assets.		403,979
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	(52,900,286)	
Other post employment benefits	(3,811,180)	
Compensated absences	(429,540)	(57,141,006)
	<u>                    </u>	<u>                    </u>
<b>Net assets of governmental activities</b>		<u><u>\$ 12,518,199</u></u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2011**

<u>Revenues</u>	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 12,156,911	\$ -	\$ 6,294,373	\$ -	\$ 18,451,284
Intergovernmental	27,784,214	613,061	-	3,487,321	31,884,596
Charges for services	331,157	-	-	1,599,322	1,930,479
Uses of money and property	81,032	1,536	4,832	-	87,400
Other	136,814	-	27,214	76,378	240,406
Total Revenue	<u>40,490,128</u>	<u>614,597</u>	<u>6,326,419</u>	<u>5,163,021</u>	<u>52,594,165</u>
 <u>Expenditures</u>					
Current:					
Regular instruction	25,694,732	108,097	-	939,474	26,742,303
Special needs instruction	4,737,548	-	-	1,301,748	6,039,296
Attendance and health	355,881	-	-	-	355,881
Transportation	1,389,589	-	-	-	1,389,589
Plant operation and maintenance	3,515,009	-	-	-	3,515,009
Food service	-	-	-	1,669,107	1,669,107
Community service	-	-	-	1,128,621	1,128,621
Administration	3,404,272	-	126,260	-	3,530,532
Debt service	6,004	-	5,723,254	-	5,729,258
Capital outlay	82,541	374,307	-	-	456,848
Total Expenditures	<u>39,185,576</u>	<u>482,404</u>	<u>5,849,514</u>	<u>5,038,950</u>	<u>50,556,444</u>
Excess (deficiency) revenues over expenditures	<u>1,304,552</u>	<u>132,193</u>	<u>476,905</u>	<u>124,071</u>	<u>2,037,721</u>
 <u>Other Financing Sources (Uses)</u>					
Transfer from other funds	117,830	-	86,665	-	204,495
Transfer to other funds	-	(86,665)	-	(117,830)	(204,495)
Total Other Financing Sources (Uses)	<u>117,830</u>	<u>(86,665)</u>	<u>86,665</u>	<u>(117,830)</u>	<u>-</u>
Net Change in Fund Balance	1,422,382	45,528	563,570	6,241	2,037,721
Fund Balance, Beginning of Year	1,644,558	922,274	2,158,777	(499,035)	4,226,574
Change in inventory reserve	-	-	-	-	-
Fund Balance, End of Year	<u>\$ 3,066,940</u>	<u>\$ 967,802</u>	<u>\$ 2,722,347</u>	<u>\$ (492,794)</u>	<u>\$ 6,264,295</u>

**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, 2011**

**Amounts reported for net change in fund balance - total governmental funds** \$ 2,037,721

**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	456,848	
Depreciation expense	<u>(2,841,522)</u>	(2,384,674)

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		887
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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 assets.

Capital lease payments	6,256	
Bond and note payments	<u>3,997,916</u>	4,004,172

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

12,220

Governmental funds report the effects of bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized for governmental activities.

Amortization of refunding loss and premiums and discounts on bonds	(15,729)	
Amortization of bond related costs	<u>(24,538)</u>	(40,267)

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

Compensated absences	(48,480)	
Other post employment benefits	(890,128)	
Accreted interest	<u>(1,116,900)</u>	<u>(2,055,508)</u>

Change in net assets of governmental activities		<u>\$ 1,574,551</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	\$ 11,570,146	\$ 11,570,146	\$ 11,657,185	\$ 87,039
Property tax - prior year	200,000	200,000	292,563	92,563
Property tax - pickup	45,000	45,000	154,827	109,827
Interest and penalty on delinquent taxes	35,000	35,000	52,336	17,336
Total special school district taxes	<u>11,850,146</u>	<u>11,850,146</u>	<u>12,156,911</u>	<u>306,765</u>
Intergovernmental revenue				
County Revenue:				
Property tax - current year	9,664,719	9,664,719	10,067,122	402,403
Property tax - prior year	40,000	40,000	95,158	55,158
Taxes - other	62,500	62,500	68,389	5,889
In lieu of tax payments	10,000	10,000	14,788	4,788
Interest and penalty on delinquent taxes	25,000	25,000	35,084	10,084
Local sales tax	4,400,000	4,400,000	3,825,903	(574,097)
Total county revenue	<u>14,202,219</u>	<u>14,202,219</u>	<u>14,106,444</u>	<u>(95,775)</u>
State Funds:				
Basic education program	12,297,000	11,205,356	11,598,356	393,000
Career ladder	248,000	248,000	252,609	4,609
Career ladder extended contract	91,000	-	-	-
Career ladder extended contract - ARRA	-	108,706	91,209	(17,497)
On-behalf contribution OPEB	-	190,423	190,423	-
Other state funds	250,000	275,827	275,827	-
Total state funds	<u>12,886,000</u>	<u>12,028,312</u>	<u>12,408,424</u>	<u>380,112</u>
Federal Funds:				
Education of handicapped	-	10,793	10,783	(10)
BEP - ARRA	-	1,091,644	1,091,644	-
CSH - ARRA	-	80,000	80,000	-
SSMS - ARRA	-	9,364	9,364	-
Safe School	-	21,580	21,304	(276)
Other federal funds	-	57,621	56,251	(1,370)
Total federal funds received	<u>-</u>	<u>1,271,002</u>	<u>1,269,346</u>	<u>(1,656)</u>
Total Intergovernmental revenue	<u>27,088,219</u>	<u>27,501,533</u>	<u>27,784,214</u>	<u>282,681</u>
Charges for services				
Tuition - out-of-district students	80,000	80,000	41,206	(38,794)
Tuition summer school	250,000	250,000	258,873	8,873
Other Charges	32,000	32,000	31,078	(922)
Total charges for services	<u>362,000</u>	<u>362,000</u>	<u>331,157</u>	<u>(30,843)</u>
Other Revenue from Local Sources:				
Interest earnings	12,000	12,000	7,401	(4,599)
Facility rentals	87,000	87,000	73,631	(13,369)
Other	88,000	122,932	136,814	13,882
Total other revenues	<u>187,000</u>	<u>221,932</u>	<u>217,846</u>	<u>(4,086)</u>
Total Revenues	<u>\$ 39,487,365</u>	<u>\$ 39,935,611</u>	<u>\$ 40,490,128</u>	<u>\$ 554,517</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

General Fund

For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Expenditures:				
Regular Instruction:				
Principals and assistant principals	1,481,902	1,481,902	1,497,698	15,796
Supervisors	379,259	425,790	407,877	(17,913)
Teachers	14,117,254	13,840,927	14,014,845	173,918
Substitute teachers	261,000	263,358	275,808	12,450
Guidance personnel	613,983	643,871	626,009	(17,862)
Library personnel	434,067	434,067	411,879	(22,188)
Other salaries and wages	1,851,792	1,919,432	1,732,903	(186,529)
Career ladder program	204,000	204,000	183,212	(20,788)
Benefits	5,863,171	5,940,264	5,630,838	(309,426)
Contracted services and consultants	253,312	245,220	229,687	(15,533)
Travel - instructional personnel	2,800	3,831	2,774	(1,057)
Instructional materials and supplies	484,340	506,289	493,214	(13,075)
Other	215,282	201,490	187,988	(13,502)
Capital Outlay	24,841	69,067	70,227	1,160
Total regular instruction	<u>26,187,003</u>	<u>26,179,508</u>	<u>25,764,959</u>	<u>(414,549)</u>
Special Needs Instruction				
Supervisor	73,421	73,421	73,271	(150)
Teachers	2,420,715	2,420,715	2,377,210	(43,505)
Psychological personnel	513,936	490,936	489,736	(1,200)
Substitute teachers	43,750	60,743	41,744	(18,999)
Other personnel	399,068	399,068	384,735	(14,333)
Career ladder	25,600	26,800	26,658	(142)
Contracts	426,500	442,500	330,780	(111,720)
Instruction materials and supplies	20,100	20,100	12,021	(8,079)
Benefits	1,043,497	1,047,347	996,606	(50,741)
Other	7,340	8,140	4,787	(3,353)
Total special needs instruction	<u>4,973,927</u>	<u>4,989,770</u>	<u>4,737,548</u>	<u>(252,222)</u>
Attendance and Health:				
Supervisor and other wages	244,685	244,685	246,540	1,855
Career ladder program	13,000	13,000	12,000	(1,000)
Benefits	102,252	102,252	84,184	(18,068)
Supplies and materials	8,410	8,410	5,571	(2,839)
Other	8,200	8,200	7,586	(614)
Total attendance and health	<u>376,547</u>	<u>376,547</u>	<u>355,881</u>	<u>(20,666)</u>
Transportation:				
Bus drivers and supervisors	748,841	798,841	733,845	(64,996)
Other salaries and wages	78,028	78,028	78,018	(10)
Benefits	334,985	334,985	317,518	(17,467)
Repairs and maintenance	111,000	119,550	105,663	(13,887)
Contracted services	4,779	4,779	4,756	(23)
Fuel	128,050	120,050	116,469	(3,581)
Insurance	20,000	20,000	19,394	(606)
Rent	5,400	5,400	3,507	(1,893)
Other	13,988	13,438	10,419	(3,019)
Total transportation	<u>1,445,071</u>	<u>1,495,071</u>	<u>1,389,589</u>	<u>(105,482)</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

General Fund

For the Year Ended June 30, 2011

Expenditures, Continued:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Plant Operation and Maintenance:				
Supervisors	62,273	62,273	62,268	(5)
Custodial services	948,156	948,156	986,529	38,373
Other salaries and wages	324,801	324,801	269,288	(55,513)
Benefits	508,988	508,988	484,715	(24,273)
Repairs and maintenance	85,950	166,746	152,662	(14,084)
Other contracted services	108,100	128,690	123,100	(5,590)
Utilities	1,117,300	1,197,300	1,124,005	(73,295)
Insurance	91,400	91,400	91,361	(39)
Other materials and supplies	192,500	227,726	220,295	(7,431)
Other	3,150	3,150	786	(2,364)
Total plant operation and maintenance	3,442,618	3,659,230	3,515,009	(144,221)
Administration:				
Director of schools	161,186	161,186	161,011	(175)
Accounting	376,990	376,990	376,835	(155)
Other salaries and wages	696,672	714,672	721,982	7,310
Benefits	349,939	349,939	339,424	(10,515)
Travel	5,300	4,400	1,458	(2,942)
Communications	128,000	133,000	131,345	(1,655)
Board services	293,000	293,000	247,005	(45,995)
Trustee commission	449,000	484,000	485,122	1,122
Insurance	217,000	217,000	209,678	(7,322)
Professional services	39,000	39,000	35,381	(3,619)
Other contracted services	228,760	334,510	317,657	(16,853)
Materials and supplies	40,050	95,115	73,360	(21,755)
Data processing	18,500	18,500	19,449	949
On-behalf payments OPEB	-	190,423	190,423	-
Other	110,825	113,460	94,142	(19,318)
Debt service	8,000	8,000	6,004	(1,996)
Capital outlay	4,500	16,814	12,314	(4,500)
Total administration	3,126,722	3,550,009	3,422,590	(127,419)
Total Expenditures	39,551,888	40,250,135	39,185,576	(1,064,559)
Excess revenues over (under) expenditures	(64,523)	(314,524)	1,304,552	1,619,076
Other Financing Sources (Uses):				
Transfer in	85,000	85,000	117,830	32,830
Total Other Financing Sources (Uses)	85,000	85,000	117,830	32,830
Net change in Fund Balance	105,477	(144,524)	1,422,382	1,566,906
Fund Balance, Beginning of Year	1,644,558	1,644,558	1,644,558	-
Fund Balance, End of Year	\$ 1,750,035	\$ 1,500,034	\$ 3,066,940	\$ 1,566,906

# FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2011

## **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 Government 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 assets 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, 2011

### **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 deferred. 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, 2011

**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 on the consumption basis in fund financial statements and is expensed when used in the government-wide financial statement. 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, 2011

**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 fixed 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

Appropriations

Appropriations to other funds are accounted for as inter-fund transfers in the governmental fund statements, and are eliminated in the government-wide statements. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as revenues in the fund being reimbursed and expenses in the fund reimbursing.

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 assets.

Bond and note premiums and discounts, as well as issuance costs, 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 issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

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 not reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# FRANKLIN SPECIAL SCHOOL DISTRICT

## Notes to Financial Statements

For the Year Ended June 30, 2011

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

#### Fund Equity

For the fiscal year ending June 30, 2011, the District 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. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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 Assets

Net assets in the government-wide financial statements is divided into three components, investment in capital assets, net of related debt, restricted and unrestricted. Capital assets, net of related debt, exclude accreted interest of \$10,065,647 on capital appreciation bonds.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

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

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 deferred. The District tax rates per \$100 of assessed value are as follows:

	<u>2010</u>	<u>2011</u>
General Fund	\$ .75	.75
Debt Service	.39	.39

**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 an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. 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, 2011 there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2011 the District's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Maturity</u>	<u>Rating</u>
Local Government Investment Pool	\$7,268,402	N/A	N/A
Less Liquid Investments (Cash equivalents)	<u>(7,268,402)</u>		

Total Investments per financial statements \$ \_\_\_\_\_ =

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.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

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

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, 2011 was as follows:

<u>Asset</u>	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,244,827	-	-	\$ 2,244,827
<u>Capital assets being depreciated:</u>				
Buildings	56,805,314	-	-	56,805,314
Improvements	23,964,096	127,572	-	24,091,668
Equipment	8,917,225	146,370	-	9,063,595
Vehicles	2,173,500	182,906	-	2,356,406
Total	<u>\$ 94,104,962</u>	<u>\$456,848</u>	<u>-</u>	<u>\$ 94,561,810</u>
<u>Accumulated Depreciation</u>				
	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Buildings	\$ 18,168,766	1,131,588	-	\$ 19,300,354
Improvements	2,200,509	1,299,792	-	3,500,301
Equipment	7,525,859	210,769	-	7,736,628
Vehicles	1,408,566	199,373	-	1,607,939
Total	<u>\$ 29,303,700</u>	<u>\$ 2,841,522</u>	<u>-</u>	<u>\$ 32,145,222</u>
Governmental Activities				
Net Capital Assets	<u>\$ 63,937,399</u>			<u>\$ 62,416,588</u>

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

Instruction	\$ 138,372
Attendance and Health	72
Transportation	189,932
Plant Operation and Maintenance	2,451,949
Food Service	41,643
Community Service	128
Administration	<u>19,426</u>
Total	<u>\$2,841,522</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**4.) 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, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Accreted Interest</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds	\$ 55,703,386	-	\$1,116,900	\$3,920,000	\$52,900,286	\$4,185,000
Capital Outlay Notes	77,916	-	-	77,916	0	0
Capital Lease Obligation	6,256	-	-	6,256	0	0
Compensated Absences	381,060	276,003	-	227,523	429,540	35,780
Total	<u>56,168,618</u>	<u>\$308,338</u>	<u>\$1,055,509</u>	<u>\$3,809,403</u>	53,329,826	<u>\$4,220,780</u>
Deferred amount On refunding	(233,372)				(214,058)	
Discounts/Premiums	<u>(186,336)</u>				<u>(189,921)</u>	
	55,748,910				52,925,847	
Net OPEB obligation	<u>2,921,052</u>				<u>3,811,180</u>	
	<u>\$58,669,962</u>				<u>\$56,737,027</u>	

Long term debt payable at June 30, 2011 is comprised of the following:

1997 Series B limited tax school refunding bonds issued October 1997 With interest rates ranging 3.8% to 5.2%	\$ 1,275,000
2000 Series limited tax school capital appreciation bonds issues June 2000 With interest ranging 4% to 5%	20,315,286
2002 Series limited tax school refunding bonds issued August 2002 With interest rate ranging from 3% to 5%	12,710,000
2007 Series limited tax school bonds issues August 2002 With interest ranging from 4% to 4.75%	12,350,000
2009 Series A limited school bond issued March 2009 With and average interest rate of 4.62%	5,500,000
2009 Series B limited tax school refunding bonds issued March 2009 With an average interest rate of 3.19%	<u>750,000</u>
	\$ <u>52,900,286</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2011 including interest payments as follows:

<u>Year</u>	<u>Bonds</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
2012	4,185,000	-	1,521,071	5,706,071
2013	4,365,000	-	1,313,996	5,678,996
2014	4,520,000	-	1,118,096	5,638,096
2015	2,702,074	-	3,683,772	6,385,846
2016	2,571,720	-	3,834,926	6,406,646
2017-2021	10,735,845	-	16,760,968	27,496,813
2022-2026	4,480,000	-	2,774,687	7,254,687
2027-2031	3,560,000	-	1,745,326	5,305,326
2032-2033	5,715,000	-	338,001	6,053,001
	\$ 42,834,639	-	\$ 33,090,843	\$ 75,925,482
Accreted Interest	10,065,647		(10,065,647)	
	\$ <u>52,900,286</u>		\$ <u>23,025,196</u>	

The District entered into leases for the purchase of certain energy saving and computer assets. The leases require repayment terms and have been accounted for as financing transactions. The District will obtain title to the leased capital assets by satisfying the minimum lease payments. The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$328,105
Less accumulated depreciation	(155,389)
Total	\$172,716

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.

**Prior Year Bond Refunding**

In prior years, the District has advanced refunded certain bonds to take advantage of more favorable interest rate terms. The outstanding principal of all defeased bonds is \$750,000 at June 30, 2011.

**5.) Receivables and Deferred Revenue**

A summary of receivables at June 30, 2011 is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property Taxes	\$ 12,033,808	-	\$ 6,091,962	-	\$ 18,125,770
Customer and Other	19,001	-	-	7,957	26,958
Other Governments	11,544,274	75,169	-	800,781	12,420,224
Less Allowance	-	-	-	(2,269)	(2,269)
Total	\$ <u>23,597,083</u>	\$ <u>75,169</u>	\$ <u>6,091,962</u>	\$ <u>806,469</u>	\$ <u>30,570,683</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**5.) Receivables and Deferred Revenue-(Continued)**

Unearned/deferred revenue consists of unearned revenue and revenues that are not considered to be available to liquidate liabilities of the current period. At year end the various components of deferred revenues are as follows:

	Government –Wide Statements	Fund Statements
Unlevied Property Taxes (Unavailable)	\$ 17,655,709	\$17,655,708
Unlevied County Taxes (Unavailable)	10,274,579	10,274,579
County Collected and Shared (Unavailable)	-	437,767
Cafeteria Charges and Tuition (Unearned)	63,375	63,375
Total	<u>\$ 27,993,663</u>	<u>\$28,431,429</u>

**6.) Pension Plan**

A. Teacher Plan Description

The Franklin Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service, while members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publically available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at: [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

Funding Policy

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Franklin Special School District is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 was 9.05% of annual covered payroll. The employer contribution requirement of Franklin Special School District is established and may be amended by the TCRS Board of Trustees. The employer’s contributions to TCRS for the years ending

## FRANKLIN SPECIAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2011

#### **6.) Pension Plan-(Continued)**

June 30, 2011, 2010, and 2009 were \$1,891,655, \$1,359,433, and \$ 1,355,246, respectively, equal to the required contributions for each year.

##### B. Non-Teacher Plan Description

Employees of Franklin Special School District are members of the Political Subdivision Pension Plan, (PSPP) an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is a result of an accident or injury while the member was in the performance of duty. Members joining the system on or after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political Subdivisions such as Franklin Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

##### Funding Policy

Franklin Special School District requires employees to contribute 5.0% of earnable compensation. Franklin Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 8.77% of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirement for Franklin Special School District is established and may be amended by the TCRS Board of Trustees.

##### Annual Pension Cost

For the year ending June 30, 2011, Franklin Special School District's annual pension cost of \$567,371 to TCRS was equal to Franklin Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial costs method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**6.) Pension Plan-(Continued)**

Annual Pension Cost-(Continued)

to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Franklin Special School District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	567,371	100%	-
6/30/10	541,577	100%	-
6/30/09	541,758	100%	-

As of July 1, 2009, the most recent actuarial date, the plan was 85.32% funded. The actuarial accrued liability for benefits was \$14.1 million, and the actuarial value of assets was \$12 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$2.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.5 million, and the ratio of the UAAL to the covered payroll was 31.90%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes in the financial statements, present multiyear trend information about whether the actuarial values of the plan are increasing or decreasing over time relative to the AALs benefit.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 403 B. the plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District had no fiduciary responsibility under the provisions of the plan. The plan specifically provides that all assets under the plan and all income attributable to those assets are solely the property of the employee.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**7.) Commitments and Contingencies**

Litigation

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

Contracts

At June 30, 2011 the District had school improvement contracts in the approximate amount of \$1,401. These contracts were approximately 100% complete. Funding of the contracts is in the Capital Project Fund.

**8.) Interfund Transactions**

Interfund receivables and payables are attributable to obligations for operating transfers between funds. The actual cash transfer had not been made at June 30, 2011. This amounted to \$899,427.

<u>Due From:</u>	<u>Due To:</u>
Nonmajor Governmental Funds	<u>General Fund</u>
Total	\$ 899,427
	<u>\$ 899,427</u>

Interfund Transfers for the year ended June 30, 2011 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

<u>Transfer In:</u>	<u>Transfer Out:</u>		
	Other	Capital Projects	
	Governmental Funds	Fund	Total
General Fund	\$ 117,830	-	\$ 117,830
Debt Service Fund	-	86,665	86,665
Totals	<u>\$ 117,830</u>	<u>\$ 86,665</u>	<u>\$ 204,495</u>

**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.

## FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2011

### **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. Payments made by the state to the Teacher Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$170,106 and \$20,317 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 \$698,247, primarily to fund additional transportation expenditures, administrative costs, and plant operation and maintenance.

### **13.) Deficit Fund Balance**

At June 30, 2011, the Food Service Fund, a nonmajor governmental fund, had a deficit fund balance of \$198,697, and the Community Service Fund, a nonmajor governmental fund, had a deficit fund balance of \$294,097. Management is evaluating operations to develop a payback plan. The General Fund has the ultimate responsibility to fund such deficits.

### **14.) Post Employment Healthcare Plan**

The District participates in the state administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the Plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**14.) Post Employment Healthcare Plan-(Continued)**

Funding Policy

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

Employees of the District do not contribute for the employee coverage. The District contributes the monthly premium of \$479 for the PPO Plan, \$420 for the HMO Plan, and \$439 for the POS plan for each participating employee.

Annual OPEB Cost and Net OPEB Obligation

ARC	\$	1,446,000
Interest on NPO		131,447
Adjustment to the ARC		<u>(124,507)</u>
Annual OPEB Cost		1,452,940
Amount of contribution		<u>(562,812)</u>
Increase in NPO		890,128
Net OPEB obligation - 7/1/10		<u>2,921,052</u>
Net OPEB obligation - 6/30/11	\$	<u><u>3,811,180</u></u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/2011	Teachers Group	\$ 1,446,000	38.92%	\$ 3,811,180
6/30/2010	Teachers Group	\$ 1,437,000	39.48%	\$ 2,921,052
6/30/2009	Teachers Group	\$ 1,463,190	27.78%	\$ 2,046,456

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Notes to Financial Statements

For the Year Ended June 30, 2011

**14.) Post Employment Healthcare Plan-(Continued)**

Funded Status and Funding Progress

The funding status of the plan as of July 1, 2010 was as follows:

Actuarial valuation date	7/1/2010
Actuarial accrued liability (AAL)	\$ 10,967,000
Actuarial value of plan asset	\$ -
Unfunded actuarial accrued liability	\$ 10,967,000
Actuarial value of assets as a % of AAL	\$ -
Covered payroll	\$ 25,127,120
UAAL as a percentage of covered payroll	43%

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

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation for the Local Education plan, Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate 10 percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**15.) Subsequent Events**

Subsequent events were evaluated through December 12, 2011, when the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Required Supplementary Information

For the Year Ended June 30, 2011

Pension Plan  
Schedule of Funding Progress  
(dollar amounts expressed in thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2009	\$11,995	\$14,059	\$2,064	85.32%	\$6,472	31.90%
July 1, 2007	\$10,501	\$11,946	\$1,445	87.90%	\$ 6,047	23.90%

The Government Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore on ly the two most recent valuations are presented.

OPEB Plan  
Teacher Group Insurance Plan\*  
Schedule of Funding Progress  
(dollar amounts expressed in thousands)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2007	\$ -	\$ 10,465	\$ 10,465	0.00%	\$ 25,127	42%
July 1, 2009	\$ -	\$ 10,900	\$ 10,900	0.00%	\$ 25,127	43%
July 1, 2010	\$ -	\$ 10,967	\$ 10,967	0.00%	\$ 25,127	43%

\*Additional years will be reported as soon as data becomes available.

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

### **NONMAJOR GOVERNMENT FUNDS**

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

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

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

**FRANKLIN SPECIAL SCHOOL DISTRICT**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2011**

	Special Revenues Funds			
<u>Assets</u>	Food Service Fund	Federal Projects Fund	Community Service Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 50	\$ -	\$ 25	\$ 75
Accounts receivable	-	-	5,688	5,688
Due from other governments	133,226	618,084	49,471	800,781
Inventory	64,353	-	-	64,353
Total Assets	197,629	618,084	55,184	870,897
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accrued payroll and other liabilities	113,980	252,102	34,807	400,889
Due to other funds	260,543	365,982	272,902	899,427
Deferred revenue	21,803	-	41,572	63,375
Total Liabilities	396,326	618,084	349,281	1,363,691
 Fund Balances:				
Nonspendable:				
Inventory	64,353	-	-	64,353
Unassigned fund balance	(263,050)	-	(294,097)	(557,147)
Total Fund Balance	(198,697)	-	(294,097)	(492,794)
Total Liabilities and Fund Balances	\$ 197,629	\$ 618,084	\$ 55,184	\$ 870,897

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

**Nonmajor Governmental Funds**

**June 30, 2011**

	Special Revenues Funds			
Revenues	Food Service Fund	Federal Projects Fund	Community Service Fund	Total Nonmajor Governmental Funds
Intergovernmental:				
USDA and cafeteria related funds	\$ 893,037	\$ -	\$ -	\$ 893,037
Federal instruction, learning center and safety funds	-	1,040,560	156,000	1,196,560
Federal education of the handicapped funds	-	1,397,724	-	1,397,724
Charges for services:				
Cafeteria charges	775,888	-	-	775,888
Fees and tuition	-	-	823,434	823,434
Other	39,242	-	37,136	76,378
Total Revenues	1,708,167	2,438,284	1,016,570	5,163,021
Expenditures				
Food service:				
Labor	658,769	-	-	658,769
Employee benefits	266,046	-	-	266,046
Food	652,647	-	-	652,647
Other Costs	91,645	-	-	91,645
Regular instruction:				
Labor	-	614,905	-	614,905
Employee benefits	-	151,519	-	151,519
Supplies and materials	-	5,194	-	5,194
Other costs	-	167,856	-	167,856
Special needs instruction:				
Current:				
Labor	-	711,347	-	711,347
Employee benefits	-	351,379	-	351,379
Supplies and materials	-	1,023	-	1,023
Other costs	-	237,999	-	237,999
Program Costs:				
Labor	-	35,069	734,925	769,994
Employee benefits	-	2,801	195,488	198,289
Other costs	-	61,763	98,575	160,338
Total Expenditures	1,669,107	2,340,855	1,028,988	5,038,950
Excess (Deficiency) of Revenues Over Expenditures	39,060	97,429	(12,418)	124,071
Other Financing Sources (Uses)				
Transfer in (out)	-	(97,429)	(20,401)	(117,830)
Total other Financing Sources (Uses)	-	(97,429)	(20,401)	(117,830)
Net Change in Fund Balance	39,060	-	(32,819)	6,241
Fund Balance, Beginning of Year	(237,757)	-	(261,278)	(499,035)
Change in reserve for inventory	-	-	-	-
Fund Balance, End of Year	\$ (198,697)	\$ -	\$ (294,097)	\$ (492,794)

**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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
USDA reimbursements	\$ 810,000	\$ 842,650	\$ 875,762	\$ 33,112
State matching	17,000	17,000	17,275	275
Total intergovernmental	<u>827,000</u>	<u>859,650</u>	<u>893,037</u>	<u>33,387</u>
Charges for services				
Student lunches	580,500	553,874	501,558	(52,316)
Adult lunches	55,000	55,000	43,379	(11,621)
Student breakfast	46,000	46,000	37,403	(8,597)
A-la-carte sales	175,000	175,000	193,548	18,548
Rebates and other	40,000	40,000	39,242	(758)
Total charges for services	<u>896,500</u>	<u>869,874</u>	<u>815,130</u>	<u>(54,744)</u>
 Total Revenues	 <u>1,723,500</u>	 <u>1,729,524</u>	 <u>1,708,167</u>	 <u>(21,357)</u>
Expenditures:				
Food	579,000	654,800	652,647	(2,153)
Labor	580,925	659,553	658,769	(784)
Fringe benefits	247,587	264,787	266,046	1,259
Supplies	49,500	51,979	51,300	(679)
Transportation	12,000	11,315	11,165	(150)
Repairs and maintenance	5,000	13,812	13,678	(134)
Other	10,840	16,059	15,502	(557)
Capital outlay	-	-	-	-
 Total Expenditures	 <u>1,484,852</u>	 <u>1,672,305</u>	 <u>1,669,107</u>	 <u>(3,198)</u>
 Excess (deficiency) revenues over expenditures (Net change in Fund Balance)	 <u>238,648</u>	 <u>57,219</u>	 <u>39,060</u>	 <u>(18,159)</u>
 Fund Balance, Beginning of Year	 <u>(237,757)</u>	 <u>(237,757)</u>	 <u>(237,757)</u>	 <u>-</u>
Change in Reserve for Inventory	-	-	-	-
Fund Balance, End of Year	<u>\$ 891</u>	<u>\$ (180,538)</u>	<u>\$ (198,697)</u>	<u>\$ (18,159)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Title I	\$ 730,483	\$ 701,915	\$ 610,043	\$ (91,872)
Title II	180,374	157,597	123,977	(33,620)
Title III	47,331	54,465	41,932	(12,533)
Title IV	1,119	1,725	1,725	-
Title X	-	557	557	-
IDEA - part B and preschool	1,304,931	1,674,847	1,397,724	(277,123)
First to the Top	-	144,927	140,267	(4,660)
Federal Ed Jobs Program	-	653,241	74,108	(579,133)
REMS	-	149,800	47,951	(101,849)
Total Revenues	<u>2,264,238</u>	<u>3,539,074</u>	<u>2,438,284</u>	<u>(1,100,790)</u>
Expenditures:				
Regular instruction:				
Teachers	332,414	353,023	249,007	(104,016)
Other salaries	336,116	558,581	365,898	(192,683)
Benefits	161,842	248,656	151,519	(97,137)
Instructional supplies and materials	2,184	9,153	5,194	(3,959)
Other	15,104	119,722	86,303	(33,419)
Capital outlay	3,986	81,711	81,553	(158)
Total regular instruction	<u>851,646</u>	<u>1,370,846</u>	<u>939,474</u>	<u>(431,372)</u>
Special needs instruction:				
Teachers and assistants	755,717	1,123,877	711,347	(412,530)
Benefits	363,515	497,341	351,379	(145,962)
Supplies	863	5,311	1,023	(4,288)
Contracted services	86,144	262,443	229,443	(33,000)
Capital outlay	1,000	37,646	8,556	(29,090)
Total special needs instruction	<u>1,207,239</u>	<u>1,926,618</u>	<u>1,301,748</u>	<u>(624,870)</u>
Program costs:				
Teachers and assistants	40,000	42,098	35,069	(7,029)
Benefits	3,060	3,221	2,801	(420)
Supplies	9,247	11,236	7,527	(3,709)
Contracted services	1,300	1,300	640	(660)
Other	58,237	67,025	53,596	(13,429)
Capital outlay	-	-	-	-
Total program costs	<u>111,844</u>	<u>124,880</u>	<u>99,633</u>	<u>(25,247)</u>
Total Expenditures	<u>2,170,729</u>	<u>3,422,344</u>	<u>2,340,855</u>	<u>(1,081,489)</u>
Excess (deficiency) revenues over expenditures	93,509	116,730	97,429	(19,301)
Other Financing Sources (Uses):				
Transfer out	(93,509)	(116,730)	(97,429)	19,301
Total Other Financing Sources (Uses)	<u>(93,509)</u>	<u>(116,730)</u>	<u>(97,429)</u>	<u>19,301</u>
Net change in fund balance				
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

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

Community Service Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Learning center grant	\$ -	\$ 156,000	\$ 156,000	\$ -
Charges for services				
Tuition and fees	989,675	989,675	823,434	(166,241)
Total charges for services	<u>989,675</u>	<u>1,145,675</u>	<u>979,434</u>	<u>(166,241)</u>
Other				
Miscellaneous	78,000	78,000	37,136	(40,864)
Total other	<u>78,000</u>	<u>78,000</u>	<u>37,136</u>	<u>(40,864)</u>
Total Revenues	<u>1,067,675</u>	<u>1,223,675</u>	<u>1,016,570</u>	<u>(207,105)</u>
Expenditures:				
Labor	568,727	745,915	734,925	(10,990)
Fringe benefits	179,670	192,321	195,488	3,167
Supplies	6,000	14,938	12,698	(2,240)
Food	25,000	55,316	50,897	(4,419)
Other	12,000	25,115	30,604	5,489
Capital outlay	-	4,376	4,376	-
Total Expenditures	<u>791,397</u>	<u>1,037,981</u>	<u>1,028,988</u>	<u>(8,993)</u>
Excess (deficiency) revenues over expenditures	276,278	185,694	(12,418)	(198,112)
Other Financing Sources (Uses):				
Transfer to General Fund	<u>(15,000)</u>	<u>(21,415)</u>	<u>(20,401)</u>	<u>1,014</u>
Net change in Fund Balance	261,278	164,279	(32,819)	(197,098)
Fund Balance, Beginning of Year	<u>(261,278)</u>	<u>(261,278)</u>	<u>(261,278)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (96,999)</u>	<u>\$ (294,097)</u>	<u>\$ (197,098)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Impact fees	\$ 375,000	\$ 456,000	\$ 613,061	\$ 157,061
Total intergovernmental revenues				
Other revenue from local sources:				
Interest earnings	2,000	2,000	1,536	(464)
Total Revenues	<u>377,000</u>	<u>458,000</u>	<u>614,597</u>	<u>156,597</u>
Expenditures:				
Current:				
Regular instruction	-	108,097	108,097	-
Supplies and materials	-	-	-	-
Other costs	-	-	-	-
Total current expenditures	<u>-</u>	<u>108,097</u>	<u>108,097</u>	<u>-</u>
Capital outlay:	<u>410,500</u>	<u>383,403</u>	<u>374,307</u>	<u>(9,096)</u>
Total Expenditures	<u>410,500</u>	<u>491,500</u>	<u>482,404</u>	<u>(9,096)</u>
Excess (deficiency) revenues over expenditures	(33,500)	(33,500)	132,193	165,693
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Discounts on bonds issued	-	-	-	-
Transfer to Debt Service Fund	<u>(86,665)</u>	<u>(86,665)</u>	<u>(86,665)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(86,665)</u>	<u>(86,665)</u>	<u>(86,665)</u>	<u>-</u>
Net Change in Fund Balance	(120,165)	(120,165)	45,528	165,693
Fund Balance, Beginning of Year	<u>922,274</u>	<u>922,274</u>	<u>922,274</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 802,109</u>	<u>\$ 802,109</u>	<u>\$ 967,802</u>	<u>\$ 165,693</u>

**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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	\$ 6,016,476	\$ 6,023,876	\$ 6,061,730	\$ 37,854
Property tax - prior year	56,000	56,000	152,133	96,133
Property tax - pick-up	20,000	20,000	80,510	60,510
Interest and penalty on delinquent taxes	11,000	11,000	27,214	16,214
Total special school district taxes	<u>6,103,476</u>	<u>6,110,876</u>	<u>6,321,587</u>	<u>210,711</u>
Other revenue from local sources:				
Interest earnings	<u>7,000</u>	<u>7,000</u>	<u>4,832</u>	<u>(2,168)</u>
Total Revenues	<u>6,110,476</u>	<u>6,117,876</u>	<u>6,326,419</u>	<u>208,543</u>
Expenditures:				
Other:				
Trustee's commission / bond issue costs	<u>121,216</u>	<u>128,616</u>	<u>126,260</u>	<u>(2,356)</u>
Debt Service:				
Principal on bonds, notes, and capital leases	4,004,172	4,004,177	4,004,172	(5)
Interest on bonds, notes, and capital leases	1,722,490	1,722,485	1,719,082	(3,403)
Total Debt Service	<u>5,726,662</u>	<u>5,726,662</u>	<u>5,723,254</u>	<u>(3,408)</u>
Total Expenditures	<u>5,847,878</u>	<u>5,855,278</u>	<u>5,849,514</u>	<u>(5,764)</u>
Excess (deficiency) revenues over expenditures	262,598	262,598	476,905	214,307
Other Financing Sources (Uses)				
Transfer from Capital Projects Fund	<u>86,665</u>	<u>86,665</u>	<u>86,665</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>86,665</u>	<u>86,665</u>	<u>86,665</u>	<u>-</u>
Net Change in Fund Balance	349,263	349,263	563,570	214,307
Fund Balance, Beginning of Year	<u>2,158,777</u>	<u>2,158,777</u>	<u>2,158,777</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,508,040</u></u>	<u><u>\$ 2,508,040</u></u>	<u><u>\$ 2,722,347</u></u>	<u><u>\$ 214,307</u></u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2011

Function and Activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ -	\$ 6,023,550	\$ -	\$ 6,023,550
Attendance and health	-	-	-	39,622	-	39,622
Transportation	-	-	-	52,437	2,180,280	2,232,717
Plant operation and maintenance	2,244,827	56,805,314	24,091,668	201,984	176,126	83,519,919
Community services	-	-	-	56,630	-	56,630
Food service	-	-	-	1,943,672	-	1,943,672
Administration	-	-	-	745,700	-	745,700
	<u>\$ 2,244,827</u>	<u>\$ 56,805,314</u>	<u>\$ 24,091,668</u>	<u>\$ 9,063,595</u>	<u>\$ 2,356,406</u>	<u>\$ 94,561,810</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, 2011

Function and Activity	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Instruction	\$ 5,802,399	\$ 242,359	\$ 21,208	6,023,550
Attendance and health	54,539	-	14,917	39,622
Transportation	2,049,811	182,906	-	2,232,717
Plant operation and maintenance	83,366,743	170,311	17,135	83,519,919
Community services	62,431	-	5,801	56,630
Food service	1,951,668	-	7,996	1,943,672
Administration	<u>817,371</u>	<u>-</u>	<u>71,671</u>	<u>745,700</u>
	<u>\$ 94,104,962</u>	<u>\$ 595,576</u>	<u>\$ 138,728</u>	<u>\$ 94,561,810</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2011

	<u>Interest Rate</u>	<u>Amount</u>
Major Funds:		
<u>General Fund</u>		
Checking and savings accounts	Various	\$ 1,168,058
Local government investment pool	Various	<u>4,202,964</u>
Total General Fund		<u>5,371,022</u>
 <u>Debt Service Fund</u>		
Checking and savings accounts	Various	98,004
Local government investment pool	Various	<u>2,591,548</u>
		<u>2,689,552</u>
 <u>Capital Projects Fund</u>		
Checking and savings accounts	Various	30,144
Local government investment pool	Various	<u>863,890</u>
		<u>894,034</u>
 Nonmajor Funds:		
<u>Federal Projects Fund</u>		
Checking and savings account		<u>-</u>
 <u>Food Service Fund</u>		
Checking and savings accounts		<u>50</u>
 <u>Community Service Fund</u>		
Cash		<u>25</u>
 Total		 <u><u>\$ 8,954,683</u></u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Long-Term Debt Requirements

June 30, 2011

Fiscal Year	1997B Series	2000 Series	2002 Series	2007 Series	2009A Series	2009B Series	Capital Outlay Notes	Total Principal	Interest	Total Principal & Interest
2012	1,275,000	-	2,565,000	345,000	-	-	-	4,185,000	1,521,071	5,706,071
2013	-	-	3,255,000	360,000	-	750,000	-	4,365,000	1,313,996	5,678,996
2014	-	-	4,145,000	375,000	-	-	-	4,520,000	1,118,096	5,638,096
2015	-	1,952,074	360,000	390,000	-	-	-	2,702,074	3,683,772	6,385,846
2016	-	1,871,720	295,000	405,000	-	-	-	2,571,720	3,834,926	6,406,646
2017	-	1,754,084	310,000	420,000	-	-	-	2,484,084	3,920,693	6,404,777
2018	-	1,651,321	325,000	440,000	-	-	-	2,416,321	3,990,218	6,406,539
2019	-	1,555,589	340,000	455,000	-	-	-	2,350,589	4,057,219	6,407,808
2020	-	1,464,851	355,000	475,000	-	-	-	2,294,851	4,106,680	6,401,531
2021	-	-	370,000	495,000	325,000	-	-	1,190,000	686,158	1,876,158
2022	-	-	390,000	515,000	340,000	-	-	1,245,000	633,001	1,878,001
2023	-	-	-	555,000	350,000	-	-	905,000	577,370	1,482,370
2024	-	-	-	580,000	365,000	-	-	945,000	563,020	1,508,020
2025	-	-	-	605,000	380,000	-	-	985,000	547,873	1,532,873
2026	-	-	-	630,000	400,000	-	-	1,030,000	453,423	1,483,423
2027	-	-	-	660,000	415,000	-	-	1,075,000	436,223	1,511,223
2028	-	-	-	690,000	435,000	-	-	1,125,000	358,301	1,483,301
2029	-	-	-	720,000	450,000	-	-	1,170,000	338,726	1,508,726
2030	-	-	-	755,000	475,000	-	-	1,230,000	317,913	1,547,913
2031	-	-	-	790,000	495,000	-	-	1,285,000	294,163	1,579,163
2032	-	-	-	825,000	520,000	-	-	1,345,000	269,413	1,614,413
2033	-	-	-	865,000	550,000	-	-	1,415,000	68,588	1,483,588
Total	<u>\$ 1,275,000</u>	<u>10,249,639</u>	<u>\$ 12,710,000</u>	<u>\$ 12,350,000</u>	<u>\$ 5,500,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>42,834,639</u>	<u>33,090,843</u>	<u>\$ 75,925,482</u>
Accreted interest		<u>10,065,647</u>						<u>10,065,647</u>	<u>(10,065,647)</u>	
		<u>\$ 20,315,286</u>						<u>\$ 52,900,286</u>	<u>\$ 23,025,196</u>	

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

<u>Program Name</u>	<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures/ Uses</u>
Title I	* TN. Dept. of Education	84.010 A		\$ 499,269
Title I ARRA	* TN Dept. of Education	84.389	S389A090042	110,774
Title III, Part A	TN. Dept. of Education	84.365 A		41,932
Title IV, Part A	TN. Dept. of Education	84.186 A		1,725
Title V, Delinquency Prevention Grant Program	TN. Dept. of Education	16.548		40,300
Title X, Part C ARRA	TN. Dept. of Education	84.387	S387A090044	557
IDEA Part B	* TN. Dept. of Education	84.027	H027A100052	913,836
IDEA Preschool	TN. Dept. of Education	84.173	H173A100095	18,233
IDEA Part B ARRA	* TN. Dept. of Education	84.391A	H391A090052	439,595
IDEA Preschool ARRA	* TN. Dept. of Education	84.392A	H392A090095	26,060
Education of the Handicapped	TN. Dept. of Education	84.027		10,783
Title II, Part A	TN. Dept. of Education	84.367 A		115,393
Title II, Part D	TN. Dept. of Education	84.318 X		2,324
Title II, Part D ARRA	* TN. Dept. of Education	84.386	S386A090042	6,260
Basic Education Funds ARRA	* TN. Dept. of Education	84.394	S394A090043A	1,091,644
State Fiscal Stabilization Government Services Fund	* TN. Dept. of Education	84.397	S397A090043	201,877
First to the Top -ARRA	* TN. Dept. of Education	84.395	S395A100032	140,267
USDA - Lunch	* TN. Dept. of Agriculture	10.555		785,570
USDA - Breakfast	TN. Dept. of Agriculture	10.553		221,144
Readiness and Emergency Management for Schools	U.S. Dept. of Education	84.184E		47,951
Federal Education Jobs Program	TN. Dept. of Education	84.410	S410A100043	74,108
NonTitle Federal Discretionary- SNAP-School Supplies- ARRA	* TN. Dept of Education	93.714	S387A090044	15,951
<u>Non Cash Federal:</u>				
USDA Commodity Supplemental Feeding	TN. Dept. of Agriculture	10.55		<u>79,892</u>
Total Federal Assistance				<u>\$ 4,885,445</u>

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2011

Program Name	Grantor Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Balance July 1, 2011	Receipts	Expenditures/ Uses	Balance June 30, 2011
<u>Federal Program:</u>							
Title I	* TN. Dept. of Education	84.010 A		\$ (134,316)	\$ 443,015	\$ 499,269	\$ (190,570)
Title I ARRA	* TN Dept. of Education	84.389	S389A090042	(34,320)	123,830	110,774	(21,264)
Title III, Part A	TN. Dept. of Education	84.365 A		(5,661)	39,450	41,932	(8,143)
Title IV, Part A	TN. Dept. of Education	84.186 A		(500)	2,144	1,725	(81)
Title V, Delinquency Prevention Grant Program	TN. Dept. of Education	16.548		(27,051)	53,271	40,300	(14,080)
Title X, Part C ARRA	* TN. Dept. of Education	84.387	S387A090044	-	160	557	(397)
IDEA Part B	* TN. Dept. of Education	84.027	H027A100052	(198,561)	856,652	913,836	(255,745)
IDEA Preschool	TN. Dept. of Education	84.173	H173A100095	(4,019)	18,500	18,233	(3,752)
IDEA Part B ARRA	* TN. Dept. of Education	84.391A	H391A090052	(123,059)	447,565	439,595	(115,089)
IDEA Preschool ARRA	* TN. Dept. of Education	84.392A	H392A090095	(9,658)	29,282	26,060	(6,436)
Education of the Handicapped	TN. Dept. of Education	84.027		-	10,783	10,783	-
Title II, Part A	TN. Dept. of Education	84.367 A		(53,743)	160,660	115,393	(8,476)
Title II, Part D	TN. Dept. of Education	84.318 X		(157)	2,454	2,324	(27)
Title II, Part D ARRA	* TN. Dept. of Education	84.386	S386A090042	(1,942)	7,999	6,260	(203)
Basic Education Funds ARRA	* TN. Dept. of Education	84.394	S394A090043A	-	1,091,644	1,091,644	-
State Fiscal Stabilization Government Services Fund ARRA	* TN. Dept. of Education	84.397	S397A090043	(95,505)	192,153	201,877	(105,229)
First to the Top- ARRA	* TN. Dept. of Education	84.395	S395A100032	-	140,267	140,267	-
USDA - Lunch	* TN. Dept. of Agriculture	10.555		(30,663)	712,846	785,570	(103,387)
USDA - Breakfast	TN. Dept. of Agriculture	10.553		(4,076)	197,655	221,144	(27,565)
Child Nutrition Discretionary Grants ARRA	* TN. Dept. of Education	10.579	S397A090043	(6,730)	6,730	-	-
Readiness and Emergency Management for Schools	U.S. Dept. of Education	84.184E		-	47,900	47,951	(51)
Federal Education Jobs Program	TN. Dept. of Education	84.410	S410A100043	-	66,258	74,108	(7,850)
NonTitle Federal Discretionary-SNAP- School Supplies- ARRA	* TN. Dept. of Education	93.714	S387A090044	-	15,951	15,951	-
<u>Non Cash Federal:</u>							
USDA Commodity Supplemental Feeding	TN. Dept. of Agriculture	10.55		-	79,892	79,892	-
Total Federal Assistance				<u>\$ (729,961)</u>	<u>\$ 4,747,061</u>	<u>\$ 4,885,445</u>	<u>\$ (868,345)</u>
<u>State Grants:</u>							
			<u>State Number</u>				
Energy Efficient Schools Initiative Incentive Grant	TN. Dept. of Education	N/A		-	-	11,376	(11,376)
Lottery for Pre K/Pre K Pilot	TN. Dept. of Education	N/A		(115,402)	279,386	275,827	(111,843)
Lottery for Education After School	TN. Dept. of Education	N/A		(76,513)	183,042	156,000	(49,471)
Total State Assistance				<u>\$ (191,915)</u>	<u>\$ 462,428</u>	<u>\$ 431,827</u>	<u>\$ (161,314)</u>

Note: Brackets signify a receivable.  
\* Major Program

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Surety Bond and Insurance Coverage

June 30, 2011

Insurance Company	Type of Insurance	Amount	Coverage
The Ohio Casualty Insurance Co.	Public Official Bond	\$ 1,049,797	Director of Schools
Hanover Insurance Group	Crime Coverage:		
\$1,000 Deductible	Forgery or Alteration	100,000	Annual Aggregate
\$500 Deductible	Employee Theft	100,000	Annual Aggregate
\$1,000 Deductible	Inside the Premises- Theft of Money and Securities	100,000	Annual Aggregate
Hanover Insurance Group	Property Coverage:		
\$500 Deductible	Blanket Building & Contents	135,896,710	Limit All Locations
Per Occurrence	Valuable Papers & Records	100,000	Annual Aggregate
	Property Off-Premises	50,000	Annual Aggregate
	Outdoor Property	100,000	Annual Aggregate
	Accounts Receivable	100,000	Annual Aggregate
	Paved Surfaces	100,000	Annual Aggregate
	Desktops & Other Stationary Computers	50,000	Annual Aggregate
	Laptops & Mobile Computers	5,000	Annual Aggregate
	Money & Securities On-Premises	10,000	Annual Aggregate
	Money & Securities Off-Premises	10,000	Annual Aggregate
	Forgery & Alteration	10,000	Annual Aggregate
\$100,000 Deductible	Earthquake	1,000,000	Per Occurrence & Annual Aggregate
\$500 Deductible	EDP- Hardware & Software \$250,000 and over	5,180,026	Per Occurrence & Annual Aggregate
\$25,000 Deductible	Flood	1,500,000	Per Occurrence & Annual Aggregate
Hanover Insurance Group	General Liability	2,000,000	Aggregate Limit
No Deductible	Products - Completed Operations	2,000,000	Aggregate Limit
	Personal & Advertising Injury Limit	1,000,000	Aggregate Limit
	Each Occurrence Limit	1,000,000	
	Fire Damage Limit	100,000	Per Occurrence
	Medical Expense Limit	5,000	Any One Person
	Sexual Misconduct or Sexual Molestation	1,000,000	Per Occurrence & Annual Aggregate
	Aggregate Defense Expense Amount	300,000	
\$2,500 Deductible	Law Enforcement Professional Liability	1,000,000	Per Occurrence & Annual Aggregate
\$2,500 Deductible	School & Educators Legal Liability	1,000,000	Per Occurrence & Annual Aggregate
Hanover Insurance Group	Automobile Liability & Physical Damage	1,000,000	Bodily Injury & Property Damage Liability Combined Per Occurrence
\$500 Comprehensive Deductible			
Per Occurrence	Uninsured Motorist	1,000,000	Per Occurrence for Bodily Injury
		1,000,000	Per Occurrence for Property Damage
\$1,000 Deductible	Errors & Omissions	1,000,000	Each Employee / \$3,000,000 Aggregate
FFVA Mutual Insurance Co.	Workers' Compensation:	\$ 1,000,000	Each Accident
	Bodily Injury by Accident	1,000,000	Each Employee & Annual Aggregate
	Bodily Injury by Disease		

**FRANKLIN SPECIAL SCHOOL DISTRICT**

Schedule of Principal Officials

June 30, 2011

<u>Name</u>	<u>Title</u>	
Sherry Badger	Chairman, Board of Education	*
Tim Stillings	Vice-Chairman, Board of Education	*
Robert Blair	Treasurer, Board of Education	*
Melanie Hembree	Secretary, Board of Education	*
Kent McNish	Member, Board of Education	*
Robin Newman	Member, Board of Education	*
David L. Snowden, Ph.D.	Director of Schools	**

\* Elected at-Large

\*\* Appointed

## **OTHER REPORTS**

**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 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2011. 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.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the management, district board members, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Randall Matlock & Associates, P.C." in a cursive script.

December 12, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

Members of the Board of Education and  
the Director of Schools  
Franklin Special School District  
Franklin, Tennessee

**Compliance**

We have audited Franklin Special School District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

### **Internal Control over Compliance**

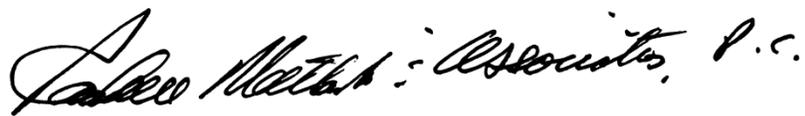
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the district board members, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



*Randall Matlock - Associates, P.C.*

December 12, 2011

**FRANKLIN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**I. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
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:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs:

- CFDA # 84.010A Title I
- CFDA # 84.389 Title I ARRA
- CFDA # 84.027 IDEA Part B
- CFDA # 84.173 IDEA Preschool
- CFDA # 84.391A IDEA Part B ARRA
- CFDA # 83.392A IDEA Preschool ARRA
- CFDA # 84.027 IDEA Education of the Handicapped
- CFDA # 84.386 Title II ARRA
- CFDA # 84.394 Basic Education Funds ARRA
- CFDA # 84.397 Statewide Student Management System ARRA
- CFDA # 84.397 Career Ladder Extended Contracts ARRA
- CFDA # 10.555 USDA School Lunch Program
- CFDA # 10.553 USDA School Breakfast Program
- CFDA # 10.579 Child Nutrition Discretionary Grant ARRA
- CFDA # 84.397 Coordinated School Health Grant ARRA
- CFDA # 84.397 Safety Grant ARRA

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**FRANKLIN SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**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 Section 510(a) of Circular A-133.**

No matters were reported.