

FRANKLIN SPECIAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Matlock Clements

Certified Public Accountants

FRANKLIN SPECIAL SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents on pages 6-16 and 55-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The combining and individual nonmajor fund financial statements, financial schedules and schedules of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, 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 an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Matlock Clements, P.C." The signature is written in a cursive style with a large initial 'M' and a stylized 'C'.

Matlock Clements, P.C.
November 18, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$9,433,775 (net position).
- The change in net position increased 3.3 million.
- Due to the implementation of *GASB Statement No.68 Accounting and Financial Reporting for Pensions*, there was a prior period adjustment that decreased the beginning net position by 8.1 million.
- Outlays for new capital assets totaled \$410,735 and consisted of technology and maintenance 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 Position and Statement of Activities

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

These two statements report the District's net position and changes in the net position and begin on page 18. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. Readers will need to consider other nonfinancial factors such as the property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the District.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Fund Financial Statements

The District's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance, begin on page 20 and provide detailed information about the District's most significant or "major" funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a school district's financial position. In the case of the District, the net position was approximately \$9.4 million at the close of the fiscal year.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

A schedule of the District's net position at June 30, 2014 (for comparison) and 2015 follows:

	<i>Governmental</i>	
	<i>Activities</i>	
	<u>2015</u>	<u>2014</u>
Current and other Assets	\$ 43,644,033	\$ 40,975,429
Capital Assets, net	51,882,473	56,815,322
Deferred Outflows	4,468,927	
<i>Total assets and Deferred</i>	<u>99,995,433</u>	<u>97,790,751</u>
<i>Outflows of Resources</i>		
Long-term liabilities	42,526,274	45,625,275
Other liabilities	8,328,773	9,025,081
Deferred Inflows	39,706,611	28,956,305
<i>Total Liabilities and Deferred</i>	<u>90,561,658</u>	<u>83,606,661</u>
<i>Inflows of Resources</i>		
<i>Net position:</i>		
Invested in capital assets, net of related debt	25,606,398	26,340,941
Restricted	6,094	10,330
Unrestricted	(16,178,717)	(12,167,181)
<i>Total net position</i>	<u>\$ 9,433,775</u>	<u>\$ 14,184,090</u>
Prior Period Adjustment		(8,068,864)

The District's net position of approximately 9.4 million can be attributed to the net investment in capital assets. 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 12.4 million in accreted interest for capital appreciation bonds which are not included in debt for the calculation of the net investment in capital assets. The District uses capital assets to provide services to its roughly 3,731 public school students; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

Changes in Net Position

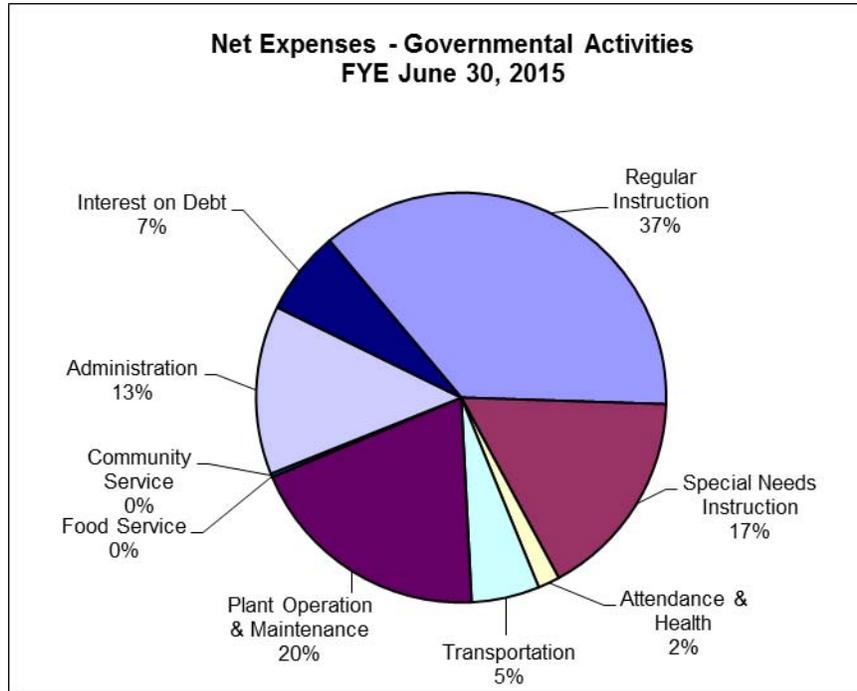
The District's activities are categorized as "governmental" activities. Net position of the District's governmental activities increased by \$3,318,549. The increase in net position resulted primarily from total general revenues exceeding the total net expenditures of the primary governmental activities. There was a prior period adjustment that decreased the beginning net position by approximately 8.1 million.

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

<i>Change in Net Position - Governmental Activities</i>				
	<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>
<i>Program Expenses:</i>	2015			2014
Instruction:				
Regular	\$ 27,981,581	\$ (16,595,790)	\$ 11,385,791	\$ 13,065,163
Special needs	6,129,029	(970,267)	5,158,762	5,235,772
Support Services:				
Attendance and health	535,096	-	535,096	394,045
Transportation	1,665,774	-	1,665,774	1,780,022
Plant operations and maintenance	6,053,457	-	6,053,457	6,010,490
Food service	2,010,789	(2,012,978)	(2,189)	32,573
Community service	1,072,510	(1,160,540)	(88,030)	53,979
Administration	4,140,157		4,140,157	4,659,715
Interest on debt	2,058,885	-	2,058,885	2,291,241
Total	\$ 51,647,278	\$ (20,739,575)	30,907,703	33,523,000
<i>Less: General Revenues</i>			34,226,252	33,743,451
<i>Change in Net Position</i>			\$ 3,318,549	\$ 220,451
<i>Prior Period Adjustment</i>				\$ (8,068,864)

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

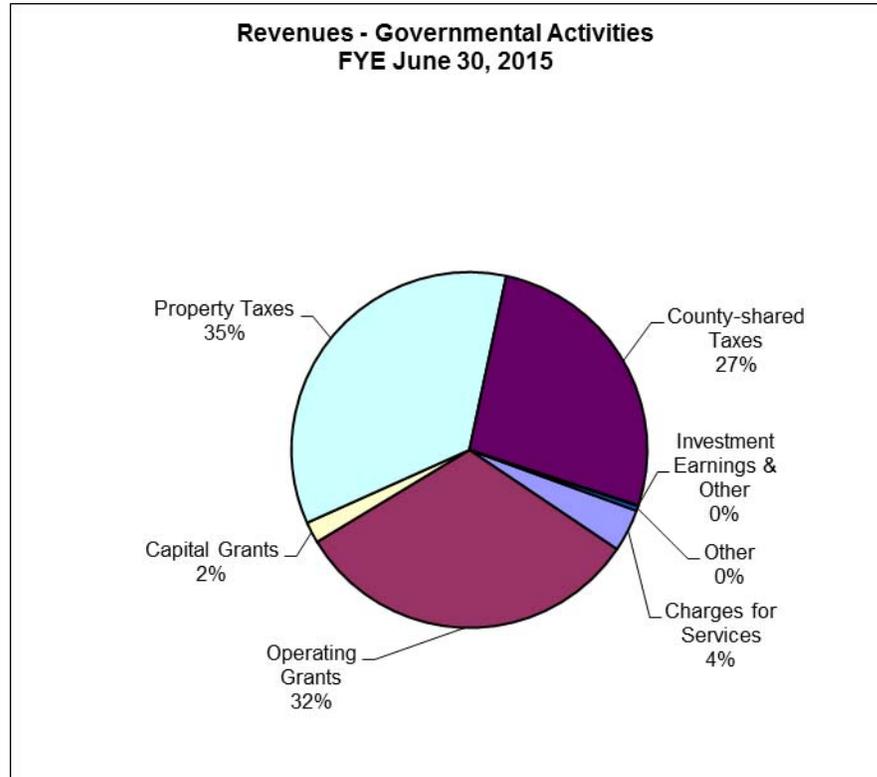


The net cost of regular instruction and plant operations and maintenance and special needs instruction represent the largest components of the District's governmental activities, 57% and 17%, respectively. The District relies on general revenues, including tax revenue and unrestricted State BEP funds, to support the net cost of its governmental activities. As the table below indicates, \$34.2 million of general revenues were realized to support \$30.9 million of governmental activities.

	<u>Governmental 2015 Activities</u>	<u>%</u>	<u>Governmental 2014 Activities</u>	<u>%</u>
Program Revenues:				
Charges for services	\$ 2,127,918	3.9%	\$ 2,167,175	3.9%
Operating grants	17,547,470	31.9%	18,151,112	32.9%
Capital grants	1,064,187	1.9%	1,109,562	2.0%
	<u>20,739,575</u>	<u>37.7%</u>	<u>21,427,849</u>	<u>38.8%</u>
General Revenues:				
Property taxes	19,260,116	35.0%	18,863,913	34.2%
County-shared taxes	14,693,480	26.7%	14,645,279	26.5%
Investment earnings	40,256	0.1%	55,892	0.1%
Other	232,400	0.4%	178,367	0.3%
	<u>34,226,252</u>	<u>62.3%</u>	<u>33,743,451</u>	<u>61.2%</u>
Total Revenues	<u>\$ 54,965,827</u>	<u>100.0%</u>	<u>\$ 55,171,300</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 32% 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 20) reported a combined fund balance of \$4.7 million, a decrease of \$909,380 from the prior year. The schedule on the next page indicates the fund balance and the total change in fund balance by fund as of June 30, 2015.

FRANKLIN SPECIAL SCHOOL DISTRICT

Management's Discussion and Analysis

	Balance, June 30, 2015	Balance, June 30, 2014	Increase (Decrease)
General	\$ 3,389,576	\$ 3,060,876	\$ 328,700
Debt Service	892,110	1,999,390	(1,107,280)
Nonmajor Funds:			
Food Service	(151,895)	(194,805)	42,910
Federal Projects	-	-	-
Community Service	(72,969)	(193,489)	120,520
Capital Outlay	619,746	913,976	(294,230)
Total	\$ 4,676,568	\$ 5,585,948	\$ (909,380)

General Fund

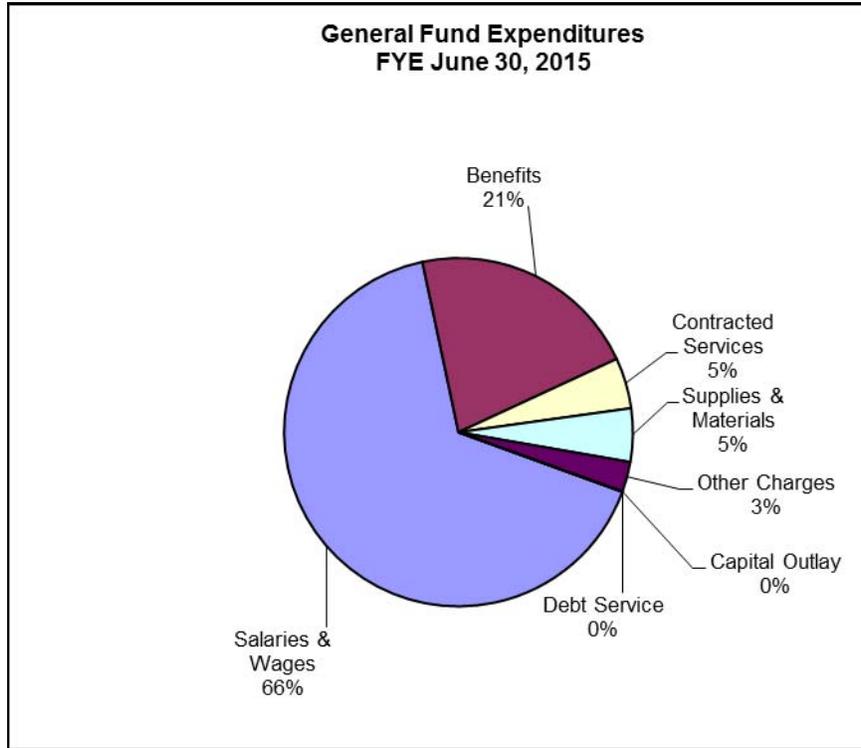
The General Fund is the chief operating fund of the District. At the end of the fiscal year, the total fund balance of the General Fund was \$3,389,576. The unassigned fund balance of \$3,363,145 million is available for spending at the District's discretion. The remaining fund balance is assigned for special programs. As a measure of liquidity, the unassigned fund balance represents 7.7% of total General Fund expenditures.

Revenues exceeded expenditures for the fiscal year, which resulted in an increase to the fund balance of \$328,700.

The District is a service entity and as such is labor intensive. As the graph on the next page illustrates, 87% 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

	2015	2014
Salaries & Wages	\$ 28,809,471	\$ 28,974,493
Benefits	9,326,437	9,235,673
Contracted Services	2,050,915	2,227,942
Supplies & Materials	2,155,112	2,198,001
Other Charges	1,221,699	1,162,293
Capital Outlay	-	-
Debt Service	5,586	126,183
Total	\$ 43,569,220	\$ 43,924,585

Other Funds

The Debt Service Fund is used to account for funds reserved for the retirement of the District’s debt. The fund balance of the District’s Debt Service Fund decreased \$1,107,280 due to decreased 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 eight schools. The Food Service Fund's fund balance increased \$42,910 due to decreased costs for labor and supplies. 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 increased \$120,520 due primarily to increased service fee rates, increased participation and decreased labor costs.

The fund balance of the Capital Outlay Fund decreased \$294,230. Expenditures exceeded revenues that were anticipated and reflected in the budget. 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 \$44.9 million and the estimated revenues and transfers totaled \$43.5 million. Final budgeted expenditures in the General Fund were \$45 million. Amendments related primarily to additional state funds.

During the year, however, the District realized a slight revenue increase and made an effort to spend conservatively. Consequently, expenditures were less than budgetary estimates by \$1,746,968 at year-end, and actual revenues were less than budgetary estimates by \$10,311. Subsequently, total revenues exceeded expenditures and transfers for the fiscal year, increasing the fund balance by \$328,700.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has \$54.1 million invested in capital assets (net of accumulated depreciation of \$42.6 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 and maintenance equipment, two buses, various repairs and improvements totaled \$410,735. 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, 2015 as summarized by location follow:

<u>Location</u>	<u>Owned</u>		<u>Accumulated</u>		<u>2015</u>	<u>2014</u>
	<u>Acreage</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Cost, Net</u>	<u>Cost, Net</u>	<u>Cost, Net</u>
Franklin Elementary	16.7	\$ 11,364,779	\$ 5,920,458	\$ 5,444,321	\$	5,684,314
Johnson Elementary	13.7	\$ 7,449,704	\$ 2,738,397	4,711,307		4,863,232
Liberty Elementary	37.0	\$ 8,671,032	\$ 4,414,489	4,256,543		4,441,308
Moore Elementary	20.0	\$ 11,245,835	\$ 4,847,703	6,398,132		6,677,286
Freedom Intermediate	25.0	\$ 18,675,400	\$ 7,038,951	11,636,449		12,495,910
Freedom Middle	37.4	\$ 12,268,613	\$ 6,034,904	6,233,709		6,481,825
Poplar Grove	37.3	\$ 21,103,676	\$ 7,467,407	13,636,269		14,098,952
Central Office	2.6	\$ 643,418	\$ 395,044	248,374		241,514
Central Office Annex	6.6	\$ 2,390,885	\$ 1,538,343	852,542		1,130,412
Transportation	-	\$ 2,552,780	\$ 1,930,858	621,922		616,631
Maintenance/Landscaping	-	\$ 320,362	\$ 232,630	87,732		83,938
Total	196.3	\$ 96,686,484	\$ 42,559,184	54,127,300		56,815,322
Less: Outstanding Debt				(28,520,902)		(30,474,381)
Net Investment in Capital Assets				\$ 25,606,398		\$ 26,340,941

Long-Term Debt

At June 30, 2015, the District had general obligation bonds outstanding of \$39,731,732, a capital lease of \$226,936, a liability for compensated absences of \$355,485 and a net OPEB obligation of \$4,146,420. This is as compared to the June 30, 2014, balances of \$43,621,281 for general obligation bonds, a capital lease of \$451,849, a liability for compensated absences of \$308,895 and a net OPEB obligation of \$4,027,880. 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. In addition, the District refunded and called \$8,790,000 in general obligation bonds and issued \$9,065,000 in general obligation bonds.

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 5).

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 the Debt Service Fund revenue due to the property tax increase of 7.66 cents.
- The cost of employee benefits is anticipated to decrease as there will be a transition from the current insurance options to a defined contribution-type plan for health insurance.

All of these factors were considered in preparing the District's budget for the 2015-2016 fiscal year. Total General Fund appropriations approved by the District's Board of Education total \$43.8 million for the 2015-2016 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	<u>Primary Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	8,635,366
Receivables (net of allowance of uncollectibles):	
Taxes	14,436,053
Due from other governments	18,133,812
Accounts receivable	28,754
Inventories	33,071
Net pension asset	132,150
Non depreciable capital assets	2,244,827
Depreciable capital assets net accumulated depreciation	<u>51,882,473</u>
 Total Assets	 <u>95,526,506</u>
<u>Deferred outflows of resources</u>	
Deferred outflows for pensions	3,293,572
Deferred loss on bond refunding	<u>1,175,355</u>
 Total Deferred Outflows of Resources	 <u>4,468,927</u>
<u>Liabilities</u>	
Accounts payable	183,499
Accrued payroll and other liabilities	5,125,236
Retainage payable	30,926
Accrued interest	53,203
Advances in cafeteria charges	15,689
Advances in tuition	20,385
Long-term liabilities due within one year	2,899,835
Long-term liabilities due in more than one year	<u>42,526,274</u>
 Total Liabilities	 <u>50,855,047</u>
<u>Deferred inflows of resources</u>	
Deferred inflows for pensions	8,957,782
Deferred inflows for property taxes	<u>30,748,829</u>
 Total Deferred Inflows of Resources	 <u>39,706,611</u>
<u>Net Position</u>	
Net investment in capital assets	25,606,398
Restricted for special programs	6,094
Unrestricted	<u>(16,178,717)</u>
 Total Net Position	 <u>\$ 9,433,775</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Position
Functions / Programs:					Primary Governmental Activities
Primary Government:					
Governmental Activities:					
Regular instruction	\$ 27,981,581	\$ 302,856	\$ 15,228,747	\$ 1,064,187	\$ (11,385,791)
Special needs instruction	6,129,029	-	970,267	-	(5,158,762)
Attendance and health	535,096	-	-	-	(535,096)
Transportation	1,665,774	-	-	-	(1,665,774)
Plant operation and maintenance	6,053,457	-	-	-	(6,053,457)
Food service	2,010,789	804,517	1,208,461	-	2,189
Community service	1,072,510	1,020,545	139,995	-	88,030
Administration	4,140,157	-	-	-	(4,140,157)
Interest of debt	2,058,885	-	-	-	(2,058,885)
Total Governmental Activities	<u>\$ 51,647,278</u>	<u>\$ 2,127,918</u>	<u>\$ 17,547,470</u>	<u>\$ 1,064,187</u>	<u>\$ (30,907,703)</u>
General Revenues:					
Property taxes					19,260,116
County shared taxes					14,693,480
Unrestricted investment earnings and rental income					40,256
Other					232,400
					<u>34,226,252</u>
					Change in net position 3,318,549
					Net position - beginning of year <u>14,184,090</u>
					Prior period adjustment (Note 16) (8,068,864)
					Net position - end of year <u>\$ 9,433,775</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 7,182,456	\$ 574,275	\$ 878,610	\$ 25	\$ 8,635,366
Taxes receivable	14,436,053	-	-	-	14,436,053
Due from other governments	10,453,595	148,806	6,882,124	649,287	18,133,812
Receivables	8,666	-	-	20,088	28,754
Inventory	-	-	-	33,071	33,071
Due from other funds	531,166	-	-	-	531,166
Total Assets	\$ 32,611,936	\$ 723,081	\$ 7,760,734	\$ 702,471	\$ 41,798,222
<u>Liabilities</u>					
Accounts payable	111,090	72,409	-	-	183,499
Accrued liabilities	4,765,141	-	-	360,095	5,125,236
Retainage payable	-	30,926	-	-	30,926
Due to other funds	-	-	-	531,166	531,166
Advances of cafeteria charges	-	-	-	15,689	15,689
Advances of tuition	-	-	-	20,385	20,385
Total Liabilities	4,876,231	103,335	-	927,335	5,906,901
<u>Deferred inflows of resources</u>					
Deferred inflows for property taxes	24,346,129	-	6,868,624	-	31,214,753
Total Deferred Inflows of Resources	24,346,129	-	6,868,624	-	31,214,753
<u>Fund Balances</u>					
Nonspendable:					
Inventory	-	-	-	33,071	33,071
Restricted:					
Restricted for Education	6,094	-	-	-	6,094
Committed:					
Committed for Debt Service	-	-	892,110	-	892,110
Committed for Capital Outlay	-	619,746	-	-	619,746
Assigned:					
Assigned for Education (Young Scholars)	20,337	-	-	-	20,337
Unassigned	3,363,145	-	-	(257,935)	3,105,210
Total Fund Balances	3,389,576	619,746	892,110	(224,864)	4,676,568
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,611,936	\$ 723,081	\$ 7,760,734	\$ 702,471	\$ 41,798,222

FRANKLIN SPECIAL SCHOOL DISTRICT

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

June, 30 2015

Amounts reported for fund balance - total governmental funds:		\$ 4,676,568
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		54,127,300
Net pension asset that are not financial resources and, therefore, are not reported in the funds.		132,150
Deferred outflow of resources that is a consumption of net position that is applicable to a future reporting period. Employer contributions subsequent to the measurement date of the net pension liability		3,293,572
Deferred loss on bond refunding		1,175,355
Deferred inflow of resources in an acquisition of net position that is applicable to a future reporting period. County collected and shared taxes		465,924
Changes in net pension liability not included in pension expense		(8,957,782)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(53,203)
Loss on bond refunding discounts and premiums are amortized as a component of interest over the life of the bonds on the statement of net position.		(965,536)
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	\$ (39,731,732)	
Capital lease payable	(226,936)	
Other post employment benefits	(4,146,420)	
Compensated absences	(355,485)	(44,460,573)
Net position of governmental activities		<u><u>\$ 9,433,775</u></u>

FRANKLIN SPECIAL SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

<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	13,932,578	\$ -	\$ 5,317,029	\$ -	\$ 19,249,607
Intergovernmental	29,406,273	1,064,187	-	2,800,318	33,270,778
Charges for services	302,856	-	-	1,712,297	2,015,153
Uses of money and property	37,410	-	-	-	37,410
Other	165,684	500	2,346	138,772	307,302
Total Revenue	<u>43,844,801</u>	<u>1,064,687</u>	<u>5,319,375</u>	<u>4,651,387</u>	<u>54,880,250</u>
 <u>Expenditures</u>					
Current:					
Regular instruction	28,236,422	756,514	-	564,032	29,556,968
Special needs instruction	5,320,980	-	-	797,204	6,118,184
Attendance and health	529,414	-	-	-	529,414
Transportation	1,502,924	-	-	-	1,502,924
Plant operation and maintenance	3,474,192	-	-	-	3,474,192
Food service	-	-	-	1,960,438	1,960,438
Community service	-	-	-	1,066,027	1,066,027
Administration	4,499,702	-	106,322	37,507	4,643,531
Debt service	5,586	228,979	6,361,042	-	6,595,607
Capital outlay	-	373,424	-	-	373,424
Total Expenditures	<u>43,569,220</u>	<u>1,358,917</u>	<u>6,467,364</u>	<u>4,425,208</u>	<u>55,820,709</u>
Excess (deficiency) revenues over expenditures	<u>275,581</u>	<u>(294,230)</u>	<u>(1,147,989)</u>	<u>226,179</u>	<u>(940,459)</u>
 <u>Other Financing Sources (Uses)</u>					
Transfers from other funds	53,119	-	-	-	53,119
Transfers to other funds	-	-	-	(53,119)	(53,119)
Proceeds of refunding bonds	-	-	9,065,000	-	9,065,000
Proceeds of bond premium	-	-	751,715	-	751,715
Payments to refunding bond escrow agent	-	-	(9,776,006)	-	(9,776,006)
Total Other Financing Sources (Uses)	<u>53,119</u>	<u>-</u>	<u>40,709</u>	<u>(53,119)</u>	<u>40,709</u>
Net Change in Fund Balance	328,700	(294,230)	(1,107,280)	173,060	(899,750)
Fund Balance, Beginning of Year	3,060,876	913,976	1,999,390	(388,294)	5,585,948
Change in inventory reserve	-	-	-	(9,630)	(9,630)
Fund Balance, End of Year	<u>\$ 3,389,576</u>	<u>\$ 619,746</u>	<u>\$ 892,110</u>	<u>\$ (224,864)</u>	<u>\$ 4,676,568</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, 2015

Amounts reported for net change in fund balance - total governmental fund: \$ (899,750)

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	\$ 373,424	
Donated assets	37,311	
Depreciation expense	<u>(3,098,757)</u>	(2,688,022)

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		7,556
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Net change in pension assets and expenditures that are deferred or capitalized for the statement of activities.

2,536,803

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

Bond Premium	\$ 126,875	
Capital lease payments	224,913	
Bond and note payments	<u>5,565,000</u>	5,916,788

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

20,385

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

Change in reserve for inventory	\$ (9,630)	
Compensated absences	(46,590)	
Other post employment benefits	(118,540)	
Accreted interest	<u>(1,400,451)</u>	<u>(1,575,211)</u>

Change in net position of governmental activities

\$ 3,318,549

FRANKLIN SPECIAL SCHOOL DISTRICT

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

General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	\$13,708,849	\$ 13,708,849	\$ 13,656,233	\$ (52,616)
Property tax - prior year	150,000	150,000	176,710	26,710
Property tax - pickup	100,000	100,000	66,705	(33,295)
Interest and penalty on delinquent taxes	35,000	35,000	32,930	(2,070)
Total special school district taxes	<u>13,993,849</u>	<u>13,993,849</u>	<u>13,932,578</u>	<u>(61,271)</u>
Intergovernmental revenue				
County Revenue:				
Property tax - current year	10,230,811	10,230,811	10,215,967	(14,844)
Property tax - prior year	65,000	65,000	45,083	(19,917)
Taxes - other	77,450	77,450	93,667	16,217
In lieu of tax payments	15,100	15,100	13,375	(1,725)
Interest and penalty on delinquent taxes	25,000	25,000	22,470	(2,530)
Local sales tax	4,250,000	4,250,000	4,305,870	55,870
Total county revenue	<u>14,663,361</u>	<u>14,663,361</u>	<u>14,696,432</u>	<u>33,071</u>
State Funds:				
Basic education program	13,764,000	13,764,000	13,764,000	-
Career ladder	165,000	165,000	145,932	(19,068)
Career ladder extended contract	60,000	60,000	52,045	(7,955)
On-behalf contribution OPEB	-	217,261	217,261	-
Other state funds	365,800	386,040	401,002	14,962
Total state funds	<u>14,354,800</u>	<u>14,592,301</u>	<u>14,580,240</u>	<u>(12,061)</u>
Federal Funds:				
Education of handicapped	-	129,601	129,601	-
Total federal funds received	<u>-</u>	<u>129,601</u>	<u>129,601</u>	<u>-</u>
Total Intergovernmental revenue	<u>29,018,161</u>	<u>29,385,263</u>	<u>29,406,273</u>	<u>21,010</u>
Charges for services				
Tuition - out-of-district students	40,000	40,000	39,326	(674)
Tuition summer school	250,000	250,000	226,458	(23,542)
Other Charges	35,000	35,000	37,072	2,072
Total charges for services	<u>325,000</u>	<u>325,000</u>	<u>302,856</u>	<u>(22,144)</u>
Other Revenue from Local Sources:				
Interest earnings	8,000	8,000	7,141	(859)
Facility rentals	50,000	50,000	30,269	(19,731)
Other	93,000	93,000	165,684	72,684
Total other revenues	<u>151,000</u>	<u>151,000</u>	<u>203,094</u>	<u>52,094</u>
Total Revenues	<u>\$ 43,488,010</u>	<u>\$ 43,855,112</u>	<u>\$ 43,844,801</u>	<u>\$ (10,311)</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, 2015

Expenditures:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Regular Instruction:				
Principals and assistant principals	\$ 1,554,819	\$ 1,554,819	\$ 1,503,309	\$ 51,510
Supervisors	419,031	419,031	385,140	33,891
Teachers	15,614,654	15,322,362	15,555,631	(233,269)
Substitute teachers	300,000	301,500	276,632	24,868
Guidance personnel	709,736	709,736	664,888	44,848
Library personnel	475,135	475,135	440,347	34,788
Other salaries and wages	2,077,945	2,054,945	1,927,194	127,751
Career ladder program	153,000	153,000	99,138	53,862
Benefits	6,818,279	6,835,335	6,445,972	389,363
Contracted services and consultants	265,065	259,120	256,906	2,214
Travel - instructional personnel	2,850	2,850	1,848	1,002
Instructional materials and supplies	760,549	766,711	649,257	117,454
Other	40,510	40,203	30,160	10,043
Total regular instruction	29,191,573	28,894,747	28,236,422	658,325
Special Needs Instruction				
Supervisor	76,392	76,392	76,392	-
Teachers	2,532,511	2,532,511	2,417,297	115,214
Psychological personnel	713,657	713,657	615,152	98,505
Substitute teachers	50,000	50,000	59,996	(9,996)
Other personnel	667,645	667,645	604,522	63,123
Career ladder	28,200	28,200	13,632	14,568
Contracts	204,000	204,000	162,437	41,563
Instruction materials and supplies	44,500	134,500	65,245	69,255
Benefits	1,414,069	1,414,069	1,289,704	124,365
Other	19,700	28,901	16,603	12,298
Total special needs instruction	5,750,674	5,849,875	5,320,980	528,895
Attendance and Health:				
Supervisor and other wages	278,449	349,476	363,108	(13,632)
Career ladder program	13,000	13,000	7,000	6,000
Benefits	124,049	138,216	133,101	5,115
Supplies and materials	8,900	26,607	20,412	6,195
Other	4,930	10,030	5,793	4,237
Total attendance and health	429,328	537,329	529,414	7,915
Transportation:				
Bus drivers and supervisors	881,262	881,262	817,325	63,937
Other salaries and wages	80,153	80,153	77,503	2,650
Benefits	414,354	414,354	351,480	62,874
Repairs and maintenance	106,000	117,681	117,123	558
Contracted services	6,100	6,100	6,100	-
Fuel	153,950	143,950	98,612	45,338
Insurance	22,500	22,500	22,424	76
Rent	3,000	2,303	2,303	-
Other	11,940	10,956	10,054	902
Total transportation	1,679,259	1,679,259	1,502,924	176,335

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, 2015

Expenditures, Continued:	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Plant Operation and Maintenance:				
Supervisors	70,137	70,137	70,132	5
Custodial services	1,043,137	1,043,137	1,011,724	31,413
Other salaries and wages	358,180	358,180	303,912	54,268
Benefits	597,280	597,280	555,474	41,806
Repairs and maintenance	126,900	147,765	142,793	4,972
Other contracted services	110,500	110,500	101,959	8,541
Utilities	920,500	920,500	970,583	(50,083)
Insurance	92,000	92,000	91,830	170
Other materials and supplies	235,500	251,500	224,691	26,809
Other	2,750	2,750	1,094	1,656
Total plant operation and maintenance	3,556,884	3,593,749	3,474,192	119,557
Administration:				
Director of schools	187,018	187,018	186,801	217
Accounting	321,873	321,873	322,990	(1,117)
Other salaries and wages	1,007,205	1,007,210	1,009,706	(2,496)
Benefits	362,056	362,056	333,445	28,611
Travel	9,800	8,600	7,977	623
Communications	134,500	134,500	129,475	5,025
Board services	467,000	505,000	489,726	15,274
Trustee commission	524,000	524,000	528,068	(4,068)
Insurance	271,625	271,625	284,547	(12,922)
Professional services	39,000	39,000	34,207	4,793
Other contracted services	646,343	767,519	598,061	169,458
Materials and supplies	92,400	112,406	104,271	8,135
Data processing	18,400	18,400	22,041	(3,641)
On-behalf payments OPEB	-	217,261	217,261	-
Other	252,142	276,761	231,126	45,635
Debt service	8,000	8,000	5,586	2,414
Total administration	4,341,362	4,761,229	4,505,288	255,941
Total Expenditures	44,949,080	45,316,188	43,569,220	1,746,968
Excess revenues over (under) expenditures	(1,461,070)	(1,461,076)	275,581	1,736,657
Other Financing Sources (Uses):				
Transfer in	63,000	63,000	53,119	(9,881)
Total Other Financing Sources (Uses)	63,000	63,000	53,119	(9,881)
Net change in Fund Balance	(1,398,070)	(1,398,076)	328,700	328,700
Fund Balance, Beginning of Year	(1,502,863)	(2,339,766)	3,060,876	5,400,642
Fund Balance, End of Year	\$ (2,900,933)	\$ (3,737,842)	\$ 3,389,576	\$ 7,127,418

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

1.) Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Franklin Special School District has no business-type activities or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants (including fees and fines) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, and other items not properly included among program revenues are reported instead as general revenues.

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. District property taxes are billed and collected by the county. Property taxes as well as shared tax revenues are recognized if remitted to the District within 60 days of year end. Property taxes are assessed by the District each January, however, the taxes are not available until the next fiscal year so the current year assessment is recorded as a deferred inflow of resources and recognized as revenue of the period to which they apply. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Sales taxes as well as the District's property taxes which are billed and collected by the county and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Rents, after school fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

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

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

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Cash, Cash Equivalents and Investments

The District is authorized to deposit funds in local banks and purchase certificates of deposit in local banks as well as participate in the Local Government Investment Pool administered by the State of Tennessee. The pool contains investments in certificates of deposits, U.S. Treasury securities and Repurchase Agreements backed by the U.S. Treasury Securities. The investment pool is administered by the Treasurer of the State of Tennessee. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State Collateral Pool or be deposited in an escrow account in another institution for the benefit of the Franklin Special School District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered to pay an assessment to cover any deficiency.

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

Inventory

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

Receivables and Payables

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

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

Capital Assets

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Capital Assets

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

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

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

Interfund Transactions

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has sources from pensions and bond refunding that qualify for reporting in this category. These amounts are deferred and recognized as an expense of resources in the period the amounts are consumed.

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Compensated Absences

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

Long-term Obligations

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

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

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

Pensions

Teacher Retirement Plan

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

Teacher Legacy Pension Plan

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Pensions – (Continued)

Public Employee Retirement Plan

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

Fund Equity

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

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

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

Fund Equity (continued)

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

Net Position

Net position in the government-wide financial statements is divided into three components, net investment in capital assets, restricted and unrestricted. Net investment in capital assets excludes accreted interest of \$12,434,228 on capital appreciation bonds.

Property Taxes

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

	<u>2015</u>	<u>2014</u>
General Fund	\$.7075	\$.7075
Debt Service	.27	.27

2.) Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned or the District will not be able to recover the collateral securities in the possession of an outside party. The District’s policy requires deposits to be 105% secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificated of deposit in institutions with and established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as 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, 2015, there were no amounts exposed to custodial credit risk.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

2.) Deposits and Investments-(Continued)

Investments

At June 30, 2015, 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	\$4,540,709	N/A	N/A
Less Liquid Investments (Cash Equivalents)	<u>(\$4,540,709)</u>		
Total Investments per financial statements	<u>\$ -</u>		

Interest Rate Risk:

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

Credit Risk:

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

Custodial Risk:

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

3.) Capital Assets

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

<u>Asset</u>	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</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	25,585,477	199,814	-	25,785,291
Equipment	9,159,741	19,512	(6,415)	9,172,838
Vehicles	2,539,728	191,409	(52,927)	2,678,210
Total	<u>\$ 96,335,087</u>	<u>\$410,735</u>	<u>\$(59,342)</u>	<u>\$ 96,686,480</u>
<u>Accumulated Depreciation</u>				
	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Buildings	\$ 22,694,926	\$1,131,396	\$ -	\$ 23,826,322
Improvements	7,534,834	1,400,365	-	8,935,199
Equipment	7,400,212	402,111	(6,415)	7,795,908
Vehicles	1,889,793	164,885	(52,927)	2,001,751
Total	<u>\$ 39,519,765</u>	<u>\$3,098,757</u>	<u>\$(59,342)</u>	<u>\$ 42,559,180</u>
Governmental Activities Net Capital Assets	<u>\$ 58,772,905</u>			<u>\$ 54,127,300</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

3.) Capital Assets-(Continued)

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

Instruction	\$ 325,035
Attendance and Health	72
Transportation	159,160
Plant Operation and Maintenance	2,561,535
Food Service	33,671
Community Service	63
Administration	<u>19,221</u>
Total	<u>\$3,098,757</u>

4.) Deferred outflows of resources

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

	<u>Government -Wide Statements</u>	<u>Fund Statements</u>
Employer contributions subsequent to the measurement date of the net pension liability		
Teacher Legacy Pension Plan	\$2,383,017	
Teacher Pension Plan	33,539	
Public Employee Retirement Plan	<u>877,016</u>	
Total	\$ 3,293,572	\$ -
Loss on bond refunding	<u>1,175,355</u>	-
Total	<u>\$ 4,468,927</u>	<u>\$ -</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

5.) 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, 2015:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Accreted Interest</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:						
General Obligation Bonds	\$ 43,621,281	\$9,065,000	\$1,400,451	\$14,355,000	\$39,731,732	\$2,641,720
Capital Lease Obligation	451,849	-	-	224,913	226,936	226,936
Compensated Absences	308,895	46,590	-	-	355,485	31,179
Total	<u>\$ 44,382,025</u>	<u>\$9,111,590</u>	<u>\$1,400,451</u>	<u>\$14,579,913</u>	<u>\$40,314,153</u>	<u>\$2,899,835</u>
Discounts/Premiums	<u>192,055</u>				<u>965,536</u>	
	47,324,065				41,279,689	
Net OPEB obligation	<u>4,027,880</u>				<u>4,146,420</u>	
	<u>\$51,233,891</u>				<u>\$45,426,109</u>	

Long term debt payable at June 30, 2015 is comprised of the following:

1999 Series limited tax school capital appreciation bonds issued June 1999 With interest rates ranging 3.8% to 5.2%	\$ 20,731,732
2007 Series A limited tax school bonds issued August 2007 With interest ranging 4% to 4.75%	2,090,000
2009 Series A limited tax school refunding bonds issued March 2009 With interest rate ranging from 4% to 5%	5,500,000
2012 Series limited tax school refunding bonds issued May 2012 With interest rate ranging from 2% to 4%	2,395,000
2014 Series limited tax school refunding bonds issued September 2014 With interest rate ranging from 2% to 4%	<u>9,015,000</u>
	<u>\$ 39,731,732</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2015 including interest payments as follows:

<u>Year</u>	<u>Bonds</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,641,720	\$ -	\$ 3,700,499	\$ 6,342,219
2017	2,549,084	-	3,789,460	6,338,544
2018	2,476,321	-	3,865,823	6,342,144
2019	2,395,589	-	3,936,805	6,332,394
2020	2,324,790	-	4,002,404	6,327,194
2021-2025	5,330,000	-	2,588,273	7,918,273
2026-2030	5,595,000	-	1,585,452	7,180,452
2030-2033	3,985,000	-	346,232	4,331,232
	<u>\$ 27,297,504</u>	<u>\$ -</u>	<u>\$23,814,948</u>	<u>\$51,112,452</u>
Accreted Interest	12,434,228		(12,434,228)	
	<u>\$ 39,731,732</u>		<u>\$11,380,720</u>	

The District entered into a lease for the purchase of computer assets. The lease requires repayment terms and has been accounted for as financing transactions. The District will obtain title to the leased capital assets by satisfying the minimum lease payments. The assets recorded under a capital lease are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$680,828
Less accumulated depreciated	(226,940)
Total	<u>\$453,888</u>

The present value of the future minimum lease payments under the lease agreement are as follows:

Year Ending June 30, 2016

2016	<u>\$226,936</u>
Total	<u>\$226,936</u>

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

Bond Refunding

On September 4, 2014, the District issued \$9,065,000 Series 2014 Limited Tax School Refunding bonds with a premium of \$751,715 and bond issuance cost and underwriter fees of \$89,158. \$8,790,000 of the current issuance was used to current refund of 2007 Series A school tax refunding bonds plus its premium. The current refunding was done to take advantage of more favorable interest rate terms. The present value savings of the refunding is \$638,111.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

6.) Receivables and Deferred Inflows of Resources

A summary of receivables at June 30, 2015 is as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total
Property Taxes	\$ 14,436,053	\$ -	\$ -	\$ -	\$ 14,436,053
Customer and Other	8,666	-	-	20,088	28,754
Other Governments	<u>10,453,595</u>	<u>148,806</u>	<u>6,882,124</u>	<u>649,287</u>	<u>18,133,812</u>
Total	\$ <u>24,898,314</u>	\$ <u>148,806</u>	\$ <u>6,882,124</u>	\$ <u>669,375</u>	\$ <u>32,598,619</u>

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

	<u>Government -Wide Statements</u>	<u>Fund Statements</u>
Changes in Net Pension Liability not Included in Pension Expense		
Teacher Legacy Pension Plan	\$7,708,391	
Public Employee Retirement Plan	<u>\$1,249,391</u>	
Total	\$ 8,957,782	\$ -
Unlevied Property Taxes (Unavailable)	20,838,753	20,838,753
Unlevied County Taxes (Unavailable)	9,910,076	9,910,076
County Collected and Shared (Unavailable)	-	465,924
	<u>\$39,706,611</u>	<u>\$31,214,753</u>

7.) Pension Plans

A. Teacher Legacy Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Franklin Special School District are provided with pensions through the Teachers Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teachers Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan-(Continued)

Benefits provided. Tennessee Conde Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½ percent and 1 percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Franklin Special School District for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$1,988,098 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension asset. At June 30, 2014, the Franklin Special School District reported an asset of \$93,556 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension assets was determined by an actuarial valuation as of that date. Franklin Special School District's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Franklin Special School District's proportion was 0.575744 percent. The proportion measured as of June 30, 2013 was .0563848 percent.

Pension income. For the year ended June 30, 2015, Franklin Special School District recognized a pension income of \$52,271 for the Teacher Legacy Pension Plan.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan-(Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Franklin Special School District reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows Of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 227,130	\$ -
Net difference between projected and actual earnings on pension plan investments		7,708,391
Changes in proportion of Net Pension Liability (Asset)	167,789	
LEA's contributions subsequent to the Measurement date of June 30, 2014	1,988,098	(not applicable)
Total	<hr/> <u>\$ 2,383,017</u>	<hr/> <u>\$ 7,708,391</u>

Franklin Special School District employer contributions of \$1,988,098 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (1,861,278)
2017	(1,861,278)
2018	(1,861,278)
2019	(1,861,278)
2020	65,820
Thereafter	65,820

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan-(Continued)

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

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

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

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

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private Equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr style="width: 20%; margin: 0 auto;"/> 100%

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

A. Teacher Legacy Pension Plan-(Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Franklin Special School District's proportionate share of the net pension liability (asset)	\$ 15,779,220	\$ (93,556)	\$(13,234,493)

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

At June 30, 2015, Franklin Special School District reported a payable of \$314,482 for the outstanding amount of contributions to the Teacher Legacy Pension Plan required at the year ended June 30, 2015.

B. Teacher Retirement Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Franklin Special School District are provided with pensions through the Teachers Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan-(Continued)

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½ percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$33,539 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan-(Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Franklin Special School District's contributions subsequent to the measurement date of June 30, 2014	\$ 33,539	\$ --

Franklin Special School District's employer contributions of \$33,539 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

At June 30, 2015, Franklin Special School District reported a payable of \$9,835 for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2015.

C. Public Employee Retirement Plan

Plan description. Employees of Franklin Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan-(Continued)

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees or entitled to but not yet receiving benefits	192
Active employees	<u>249</u>
Total	<u>586</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Franklin Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Franklin Special School District were \$648,336 at a base rate of 8.95% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Franklin Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan-(Continued)

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Franklin Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan-(Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/13	\$18,600,392	\$17,181,490	\$ 1,418,902
Changes for the year:			
Service Cost	670,481		670,481
Interest	1,419,298		1,419,298
Differences between Expected and actual experience	285,850		285,850
Contributions- employer		622,226	(622,226)
Contributions- employees		360,086	(360,086)
Net investments income		2,860,796	(2,860,796)
Benefits paid including refunds including refunds of employee contributions	(693,788)		
Administrative expense		(9,983)	9,983
Net changes	1,681,841	3,139,337	(1,457,496)
Balance at 6/30/14	\$20,282,233	\$20,320,827	\$ (38,594)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Franklin Special School District's net pension liability (asset)	\$2,545,307	(\$38,594)	(\$2,203,720)

Pension expense. For the year ended June 30, 2015 Franklin Special School District recognized pension expense of \$185,441 for the public employee pension plan.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

7.) Pension Plans-(Continued)

C. Public Employee Retirement Plan-(Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 228,680	\$ -
Net difference between projected and Actual earnings on pension plan investments		1,249,391
Contributions subsequent to the Measurement date of June 30, 2014	<u>648,336</u>	<u>(not applicable)</u>
Total	<u>\$ 877,016</u>	<u>\$ 1,249,391</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2016	\$(255,178)
2017	(255,178)
2018	(255,178)
2019	(255,178)
2020	-
Thereafter	-

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

At June 30, 2015, Franklin Special School District reported a payable of \$92,949 for the outstanding amount of contributions to the public employee retirement plan required at the year ended June 30, 2015.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

8.) Commitments and Contingencies

Litigation

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

9.) 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, 2015. This amounted to \$531,166.

<u>Due From:</u>	<u>Due To:</u>
Nonmajor Governmental	<u>General Fund</u>
Funds	\$ <u>531,166</u>
Total	\$ <u>531,166</u>

Interfund transfers for the year ended June 30, 2015, are attributable to indirect cost and consist of the following:

<u>Transfer In:</u>	<u>Transfer Out:</u>	
	Other	
General Fund	<u>Governmental Funds</u>	<u>Total</u>
Totals	<u>\$53,119</u>	<u>\$53,119</u>
	<u>\$53,119</u>	<u>\$53,119</u>

10.) 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.

11.) 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, 2015

12.) 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, 2015, were \$190,736 and \$26,525 respectively. The District has recognized these on-behalf payments as revenues and expenditures in the General Purpose Fund.

13.) 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 \$367,038, primarily to fund administrative costs.

14.) Postemployment Healthcare Plan

Plan Description

The State of Tennessee administers and participates in the Employee Group Plan and the Medicare Supplement Plan for retired employees' healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy.

Special Funding Situation

The state is legally responsible for contributions to the Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies. However, the state is the sole contributor for the vast majority of higher education teachers that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

14.) Postemployment Healthcare Plan

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. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

Annual OPEB Cost and Net OPEB Obligation

ARC	\$ 910,000
Interest on NPO	161,115
Adjustment to the ARC	<u>(156,965)</u>
Annual OPEB Cost	914,150
Amount of contribution	<u>(795,610)</u>
Increase in NPO	118,540
Net OPEB obligation - 7/1/14	<u>4,027,880</u>
Net OPEB obligation - 6/30/15	\$ <u><u>4,146,420</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>
6/30/2015	Teachers Group	\$ 914,150	83.75%	\$ 4,146,420
6/30/2014	Teachers Group	\$ 882,028	86.62%	\$ 4,027,880
6/30/2013	Teachers Group	\$ 697,309	104.43%	\$ 3,909,826

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

14.) Post Employment Healthcare Plan-(Continued)

Funded Status and Funding Progress

The funding status of the plan as of July 1, 2013 was as follows (dollars in thousands):

Actuarial valuation date	7/1/2013
Actuarial accrued liability (AAL)	\$ 7,941
Actuarial value of plan asset	\$ -
Unfunded actuarial accrued liability	\$ 7,941
Actuarial value of assets as a % of AAL	\$ -
Covered payroll	\$ 21,458
UAAL as a percentage of covered payroll	37%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially for the Local Education plans. The rate decreased to 7 percent in fiscal year 2015, and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. All rates include a 2.5 percent inflation assumption. The cost trend in the Medicare Supplement plan is 2 percent initially. The rate increases to 6 percent in fiscal year 2015 and decreases incrementally to 4.2 percent in fiscal year 2044. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

FRANKLIN SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2015

15.) Deficit Fund Balance

At June 30, 2015, the Food Service Fund, a nonmajor governmental fund, had a deficit fund balance of \$151,895, due to low summer feeding and the Community Service Fund, a nonmajor governmental fund, had a deficit fund balance of \$72,969, due to low MAC participation. Management is evaluating operations to develop a payback plan. The General Fund has the ultimate responsibility to fund such deficits.

16.) Prior Period Adjustment

The District implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, in the current year. GASB No. 68 requires the cumulative effect of applying the new standards be reported as a restatement of the governmental employer's beginning net position for the earliest period restated. A prior period adjustment of \$8,068,864 was made to record the initial net pension liability and the employer contributions made during the year ended June 30, 2014, to the pension plans.

17.) Subsequent Events

Subsequent events were evaluated through November 18, 2015, when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

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

Fiscal Year Ended June 30

	<u>2014</u>
Franklin Special School District's proportion of the net pension asset	0.575744%
Franklin Special School District's proportionate share of the net pension asset	\$ 93,556
Franklin Special School District's covered-employee payroll	\$ 22,597,828
Franklin Special School District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

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

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions
Teacher Legacy Pension Plan of TCRS

Fiscal Year June 30 Ended

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 2,006,692	\$ 1,988,098
Contribution in relation to the actuarially determined contribution	<u>2,006,692</u>	<u>1,988,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Franklin Special School District's covered- employee payroll	\$ 22,597,828	\$ 21,992,222
Contributions as a percentage of Franklin Special School District's covered-employee payroll	8.88%	9.04%

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions
Teacher Retirement Plan of TCRS

Fiscal Year ending June 30

	2015
Actuarially Determined Contribution (ADC)	\$ 20,962
Contribution in relation to the actuarially determined contribution	33,539
Contribution deficiency (excess)	<u>\$ (12,577)</u>
Franklin Special School District's covered- employee payroll	\$ 838,473
Contributions as a percentage of Franklin Special School District's covered-employee payroll	2.50%

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

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

Last Fiscal Year ending June 30

	<u>2014</u>
Service Cost	\$ 670,481
Interest	1,419,298
Changes in benefit terms	-
Differences between actual and expected experience	285,850
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(693,788)</u>
Net change in total pension liability	1,681,841
Total pension liability-beginning	<u>18,600,392</u>
Total pension liability-ending (a)	<u><u>\$ 20,282,233</u></u>
Plan fiduciary net position	
Contributions-employer	\$ 622,226
Contributions-employee	360,086
Net investment income	2,860,796
Benefit payments, including refunds of employee contributions	(693,788)
Administrative expense	(9,983)
Net change in plan fiduciary net positions	3,139,337
Plan fiduciary net position-beginning	<u>17,181,490</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 20,320,827</u></u>
Net Pension Liability (asset)-ending (a)-(b)	<u><u>\$ (38,594)</u></u>
Plan fiduciary net position as a percentage of total pension liability	100.19%
Covered-employee payroll	\$ 7,201,672
Net pension liability (asset) as a percentage of covered-employee payroll	0.54%

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

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 622,226	\$ 648,336
Contributions in relation to the actuarially determined contribution	<u>622,226</u>	<u>648,336</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 7,201,672	\$ 7,243,977
Contributions as a percentage covered-employee payroll	8.64%	8.95%

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

FRANKLIN SPECIAL SCHOOL DISTRICT

Required Supplementary Information

For the Year Ended June 30, 2015

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$10,967	\$10,967	0.00%	\$25,127	43%
July 1, 2011	\$ -	\$ 6,107	\$ 6,107	0.00%	\$25,127	24%
July 1, 2013	\$ -	\$ 7,941	\$ 7,941	0.00%	\$21,458	37%

**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, 2015

	Special Revenues Funds			
<u>Assets</u>	Food Service Fund	Federal Projects Fund	Community Service Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ -	\$ -	\$ 25	\$ 25
Accounts receivable	-	-	20,088	20,088
Due from other governments	89,505	498,700	61,082	649,287
Inventory	33,071	-	-	33,071
	\$ 122,576	\$ 498,700	\$ 81,195	\$ 702,471
 <u>Liabilities</u>				
Accrued payroll and other liabilities	\$ 126,690	\$ 181,496	\$ 51,909	\$ 360,095
Due to other funds	132,092	317,204	81,870	531,166
Advance of cafeteria charges	15,689	-	-	15,689
Advance of tuition	-	-	20,385	20,385
	274,471	498,700	154,164	927,335
 <u>Fund Balances:</u>				
Nonspendable:				
Inventory	33,071	-	-	33,071
Unassigned	(184,966)	-	(72,969)	(257,935)
Total Fund Balance	(151,895)	-	(72,969)	(224,864)
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 122,576	\$ 498,700	\$ 81,195	\$ 702,471

FRANKLIN SPECIAL SCHOOL DISTRICT

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

Nonmajor Governmental Funds

June 30, 2015

	Special Revenues Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Federal Projects Fund	Community Service Fund	
Revenues				
Intergovernmental:				
USDA and cafeteria related funds	\$ 1,208,461	\$ -	\$ -	\$ 1,208,461
Federal instruction, learning center and safety funds	-	611,196	139,995	751,191
Federal education of the handicapped funds	-	840,666	-	840,666
Charges for services:				
Cafeteria charges	691,752	-	-	691,752
Tuition and fees	-	-	1,020,545	1,020,545
Other	112,765	-	26,007	138,772
Total Revenues	2,012,978	1,451,862	1,186,547	4,651,387
Expenditures				
Food service:				
Labor	724,632	-	-	724,632
Employee benefits	304,292	-	-	304,292
Food	829,250	-	-	829,250
Other Costs	102,264	-	-	102,264
Regular instruction:				
Labor	-	380,842	-	380,842
Employee benefits	-	112,381	-	112,381
Supplies and materials	-	22,684	-	22,684
Other costs	-	48,125	-	48,125
Special needs instruction:				
Labor	-	504,496	-	504,496
Employee benefits	-	252,330	-	252,330
Supplies and materials	-	15,423	-	15,423
Other Costs	-	24,955	-	24,955
Program Costs:				
Labor	-	32,820	757,945	790,765
Employee benefits	-	2,511	203,332	205,843
Other costs	-	2,176	104,750	106,926
Total Expenditures	1,960,438	1,398,743	1,066,027	4,425,208
Excess (Deficiency) of Revenues Over Expenditures	52,540	53,119	120,520	226,179
Other Financing Sources (Uses):				
Transfer in (out)	-	(53,119)	-	(53,119)
Total Expenditures	-	(53,119)	-	(53,119)
Net Change in Fund Balance	52,540	-	120,520	173,060
Fund Balance, Beginning of Year	(194,805)	-	(193,489)	(388,294)
Change in reserve for inventory	(9,630)	-	-	(9,630)
Fund Balance, End of Year	\$ (151,895)	\$ -	\$ (72,969)	\$ (224,864)

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
USDA reimbursements	\$ 1,129,800	\$ 1,237,866	\$ 1,190,532	\$ (47,334)
State matching	17,200	17,200	17,929	729
Total intergovernmental	1,147,000	1,255,066	1,208,461	(46,605)
Charges for services				
Student lunches	450,000	450,000	418,881	(31,119)
Adult lunches	53,000	53,000	44,690	(8,310)
Student breakfast	62,000	62,000	52,126	(9,874)
A-la-carte sales	180,000	180,000	176,055	(3,945)
Rebates and other	90,000	90,000	112,765	22,765
Total charges for services	835,000	835,000	804,517	(30,483)
 Total Revenues	1,982,000	2,090,066	2,012,978	(77,088)
 Expenditures:				
Food	752,000	915,066	829,250	85,816
Labor	653,777	671,777	724,632	(52,855)
Fringe benefits	267,700	267,700	304,292	(36,592)
Supplies	62,100	74,100	71,396	2,704
Transportation	10,000	10,000	6,781	3,219
Repairs and maintenance	15,000	15,000	13,124	1,876
Other	20,500	20,500	10,963	9,537
 Total Expenditures	1,781,077	1,974,143	1,960,438	13,705
 Excess (deficiency) revenues over expenditures (Net change in Fund Balance)	200,923	115,923	52,540	(63,383)
 Fund Balance, Beginning of Year	609,502	(82,743)	(194,805)	(112,062)
Change in Reserve for Inventory	-	-	(9,630)	(9,630)
Fund Balance, End of Year	\$ 810,425	\$ 33,180	\$ (151,895)	\$ (185,075)

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, 2015

Revenues:	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Title I	\$ 518,181	\$ 520,809	\$ 428,357	\$ (92,452)
Title II	152,561	152,569	111,167	(41,402)
Title III	55,741	56,256	40,724	(15,532)
IDEA - part B and preschool	837,544	849,034	840,666	(8,368)
First to the Top	-	30,948	30,948	-
Total Revenues	<u>1,564,027</u>	<u>1,609,616</u>	<u>1,451,862</u>	<u>(157,754)</u>
Expenditures:				
Regular instruction:				
Teachers	358,626	355,830	313,267	42,563
Other salaries	81,795	70,671	67,575	3,096
Benefits	130,155	125,268	112,381	12,887
Instructional supplies and materials	2,616	49,499	22,684	26,815
Other	21,644	95,808	48,125	47,683
Total regular instruction	<u>594,836</u>	<u>697,076</u>	<u>564,032</u>	<u>133,044</u>
Special needs instruction:				
Teachers and assistants	507,111	511,827	504,496	7,331
Benefits	256,295	247,312	252,330	(5,018)
Supplies	6,099	18,193	15,423	2,770
Contracted services	21,666	22,075	22,020	55
Other	278	3,508	2,935	573
Total special needs instruction	<u>791,449</u>	<u>802,915</u>	<u>797,204</u>	<u>5,711</u>
Program costs:				
Teachers and assistants	52,951	44,000	32,820	11,180
Benefits	5,167	4,082	2,511	1,571
Supplies	2,418	3,165	2,176	989
Other	58,252	-	-	-
Total program costs	<u>118,788</u>	<u>51,247</u>	<u>37,507</u>	<u>13,740</u>
Total Expenditures	<u>1,505,073</u>	<u>1,551,238</u>	<u>1,398,743</u>	<u>152,495</u>
Excess (deficiency) revenues over expenditures	58,954	58,378	53,119	(5,259)
Other Financing Sources (Uses):				
Transfers out	(58,954)	(58,378)	(53,119)	(5,259)
Total Other Financing Sources (Uses)	<u>(58,954)</u>	<u>(58,378)</u>	<u>(53,119)</u>	<u>(5,259)</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Learning center grant	\$ -	\$ 200,000	\$ 139,995	\$ (60,005)
Charges for services				
Tuition and fees	957,397	957,397	1,020,545	63,148
Total charges for services	<u>957,397</u>	<u>1,157,397</u>	<u>1,160,540</u>	<u>3,143</u>
Other				
Miscellaneous	147,797	147,797	26,007	(121,790)
Total other	<u>147,797</u>	<u>147,797</u>	<u>26,007</u>	<u>(121,790)</u>
Total Revenues	<u>1,105,194</u>	<u>1,305,194</u>	<u>1,186,547</u>	<u>(118,647)</u>
Expenditures:				
Labor	637,868	790,728	757,945	32,783
Fringe benefits	202,837	235,143	203,332	31,811
Supplies	8,500	33,448	27,128	6,320
Food	39,000	49,800	47,103	2,697
Other	23,500	51,586	30,519	21,067
Total Expenditures	<u>911,705</u>	<u>1,160,705</u>	<u>1,066,027</u>	<u>94,678</u>
Excess (deficiency) revenues over expenditures	193,489	144,489	120,520	(23,969)
Net change in Fund Balance	193,489	144,489	120,520	(23,969)
Fund Balance, Beginning of Year	<u>575,743</u>	<u>389,742</u>	<u>(193,489)</u>	<u>(583,231)</u>
Fund Balance, End of Year	<u>\$ 769,232</u>	<u>\$ 534,231</u>	<u>\$ (72,969)</u>	<u>\$ (607,200)</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues				
Impact fees	\$ 1,000,000	\$ 1,024,000	\$ 1,064,187	\$ 40,187
Total intergovernmental revenues				
Other revenue from local sources:				
Interest earnings	650	650	500	(150)
Total Revenues	1,000,650	1,024,650	1,064,687	40,037
Expenditures:				
Current:				
Regular instruction	642,000	642,000	756,514	(114,514)
Principal on capital lease	224,913	224,912	224,912	-
Interest on capital lease	4,067	4,067	4,067	-
Total current expenditures	870,980	870,979	985,493	(114,514)
Capital outlay:	465,000	489,000	373,424	115,576
Total Expenditures	1,335,980	1,359,979	1,358,917	1,062
Excess (deficiency) revenues over expenditures	(335,330)	(335,329)	(294,230)	(41,099)
Net change in Fund Balance	(335,330)	(335,329)	(294,230)	(41,099)
Fund Balance, Beginning of Year	391,809	148,429	913,976	765,547
Fund Balance, End of Year	\$ 56,479	\$ (186,900)	\$ 619,746	\$ 806,646

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special School District taxes:				
Property tax - current year	5,231,645	5,231,645	5,211,570	\$ (20,075)
Property tax - prior year	40,000	40,000	67,437	27,437
Property tax - pick-up	40,000	40,000	25,456	(14,544)
Interest and penalty on delinquent taxes	14,000	14,000	12,566	(1,434)
Total special school district taxes	<u>5,325,645</u>	<u>5,325,645</u>	<u>5,317,029</u>	<u>(8,616)</u>
Other revenue from local sources:				
Interest earnings	2,000	2,000	2,346	346
Total Revenues	<u>5,327,645</u>	<u>5,327,645</u>	<u>5,319,375</u>	<u>(8,270)</u>
Expenditures:				
Other:				
Trustee's commission	105,200	107,000	106,322	678
Debt Service:				
Principal on bonds, notes, and capital leases	2,727,074	2,777,074	5,565,000	(2,787,926)
Interest on bonds, notes, and capital leases	3,632,659	3,582,659	796,042	2,786,617
Total Debt Service	<u>6,359,733</u>	<u>6,359,733</u>	<u>6,361,042</u>	<u>(1,309)</u>
Total Expenditures	<u>6,464,933</u>	<u>6,466,733</u>	<u>6,467,364</u>	<u>(631)</u>
Excess (deficiency) revenues over expenditures	(1,137,288)	(1,139,088)	(1,147,989)	(8,901)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	-	9,065,000	9,065,000	-
Proceeds of bond premium	-	751,715	751,715	-
Payments to refunding bond escrow agent	-	(9,776,006)	(9,776,006)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,709</u>	<u>40,709</u>	<u>-</u>
Net Change in Fund Balance	(1,137,288)	(1,098,379)	(1,107,280)	(8,901)
Fund Balance, Beginning of Year	<u>2,628,485</u>	<u>1,651,185</u>	<u>1,999,390</u>	<u>348,205</u>
Fund Balance, End of Year	<u>\$ 1,491,197</u>	<u>\$ 552,806</u>	<u>\$ 892,110</u>	<u>\$ 339,304</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2015

Function and Activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ -	\$ 6,131,872	\$ -	\$ 6,131,872
Attendance and health	-	-	-	32,728	-	32,728
Transportation	-	-	-	52,437	2,500,340	2,552,777
Plant operation and maintenance	2,244,827	56,805,314	25,785,292	252,786	177,868	85,266,087
Community services	-	-	-	56,630	-	56,630
Food service	-	-	-	1,955,666	-	1,955,666
Administration	-	-	-	690,720	-	690,720
	<u>\$ 2,244,827</u>	<u>\$ 56,805,314</u>	<u>\$ 25,785,292</u>	<u>\$ 9,172,839</u>	<u>\$ 2,678,208</u>	<u>\$ 96,686,480</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, 2015

Function and Activity	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Instruction	\$ 6,123,783	\$ 13,340	\$ 6,415	\$ 6,130,708
Attendance and health	32,728	-	-	32,728
Transportation	2,441,257	164,449	52,927	2,552,779
Plant operation and maintenance	85,033,141	232,946	-	85,266,087
Community services	56,630	-	-	56,630
Food service	1,955,666	-	-	1,955,666
Administration	<u>691,882</u>	<u>-</u>	<u>-</u>	<u>691,882</u>
	<u>\$ 96,335,087</u>	<u>\$ 410,735</u>	<u>\$ 59,342</u>	<u>\$ 96,686,480</u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2015

	<u>Interest Rate</u>	<u>Amount</u>
Major Funds:		
<u>General Fund</u>		
Checking and savings accounts	Various	\$ 2,673,678
Local government investment pool	Various	<u>4,508,778</u>
Total General Fund		<u>7,182,456</u>
 <u>Debt Service Fund</u>		
Checking and savings accounts	Various	878,445
Local government investment pool	Various	<u>165</u>
		<u>878,610</u>
 <u>Capital Projects Fund</u>		
Checking and savings accounts	Various	542,509
Local government investment pool	Various	<u>31,766</u>
		<u>574,275</u>
 Nonmajor Funds:		
<u>Federal Projects Fund</u>		
Checking and savings account		<u>-</u>
 <u>Food Service Fund</u>		
Checking and savings accounts		<u>-</u>
 <u>Community Service Fund</u>		
Cash		<u>25</u>
 Total		 <u><u>\$ 8,635,366</u></u>

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Long-Term Debt Requirements

June 30, 2015

Fiscal Year	1999 Series	2007A Series	2009A Series	2009B Series	2012 Series	2014 Series	Total Principal	Interest	Total Principal & Interest
2016	\$ 1,871,720	\$ 405,000	\$ -	\$ -	\$ 315,000	\$ 50,000	\$ 2,641,720	\$ 3,700,499	\$ 6,342,219
2017	1,754,084	420,000	-	-	325,000	50,000	2,549,084	3,789,460	6,338,544
2018	1,651,321	440,000	-	-	335,000	50,000	2,476,321	3,865,823	6,342,144
2019	1,555,589	-	-	-	340,000	500,000	2,395,589	3,936,805	6,332,394
2020	1,464,790	-	-	-	350,000	510,000	2,324,790	4,002,404	6,327,194
2021	-	-	325,000	-	360,000	525,000	1,210,000	596,394	1,806,394
2022	-	-	340,000	-	370,000	535,000	1,245,000	556,844	1,801,844
2023	-	-	350,000	-	-	570,000	920,000	516,094	1,436,094
2024	-	-	365,000	-	-	595,000	960,000	478,944	1,438,944
2025	-	-	380,000	-	-	615,000	995,000	439,997	1,434,997
2026	-	-	400,000	-	-	635,000	1,035,000	403,859	1,438,859
2027	-	-	415,000	-	-	655,000	1,070,000	364,434	1,434,434
2028	-	-	435,000	-	-	680,000	1,115,000	319,974	1,434,974
2029	-	-	450,000	-	-	710,000	1,160,000	273,199	1,433,199
2030	-	-	475,000	-	-	740,000	1,215,000	223,986	1,438,986
2031	-	-	495,000	-	-	765,000	1,260,000	170,636	1,430,636
2032	-	825,000	520,000	-	-	-	1,345,000	119,876	1,464,876
2033	-	-	550,000	-	-	830,000	1,380,000	55,720	1,435,720
Total	<u>\$ 8,297,504</u>	<u>\$ 2,090,000</u>	<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ 2,395,000</u>	<u>\$ 9,015,000</u>	<u>27,297,504</u>	<u>23,814,948</u>	<u>\$ 51,112,452</u>
Accereted interest	<u>12,434,228</u>						<u>12,434,228</u>	<u>(12,434,228)</u>	
	<u>\$ 20,731,732</u>						<u>\$ 39,731,732</u>	<u>\$ 11,380,720</u>	

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

<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		\$ 428,357
Title III, Part A	TN. Dept. of Education	84.365 A		40,724
IDEA Part B	* TN. Dept. of Education	84.027	H027A1000052	939,147
IDEA Preschool	* TN. Dept. of Education	84.173	H173A1000095	31,121
Title II, Part A	TN. Dept. of Education	84.367 A		111,167
First to the Top	TN. Dept. of Education	84.395	S395A100032	30,948
USDA - Lunch	* TN. Dept. of Agriculture	10.555		705,176
USDA - Breakfast	* TN. Dept. of Agriculture	10.553		238,553
USDA - Summer Program	* TN. Dept. of Agriculture	10.559		136,737
<u>Non Cash Federal:</u>				
USDA Commodity Supplemental Feeding	TN. Dept. of Agriculture	10.55		<u>110,065</u>
Total Federal Assistance				<u>\$ 2,771,995</u>

* Major Program

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Federal and State Financial Assistance Programs

For the Year Ended June 30, 2015

Program Name	Grantor Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Balance July	Receipts	Expenditures/ Uses	Balance June 30, 2015
				1, 2014			
<u>Federal Program:</u>							
Title I	TN. Dept. of Education	84.010 A		\$ (122,704)	\$ 394,688	\$ 428,357	\$ (156,373)
Title III, Part A	TN. Dept. of Education	84.365 A		(6,573)	39,667	40,724	(7,630)
IDEA Part B	* TN. Dept. of Education	84.027	H027A100052	(225,780)	877,163	939,147	(287,764)
IDEA Preschool	* TN. Dept. of Education	84.173	H173A100095	(6,840)	30,658	31,121	(7,303)
Title II, Part A	TN. Dept. of Education	84.367 A		(6,505)	78,042	111,167	(39,630)
First to the Top	TN. Dept. of Education	84.395	S395A100032	(83,906)	114,854	30,948	-
USDA - Lunch	* TN. Dept. of Agriculture	10.555		(52,854)	756,319	705,176	(1,711)
USDA - Breakfast	* TN. Dept. of Agriculture	10.553		(13,386)	251,939	238,553	-
USDA - Summer Program	* TN. Dept. of Agriculture	10.559		-	53,624	136,737	(83,113)
HUSSC	TN Dept. of Agriculture	10.574		(500)	-	-	(500)
<u>Non Cash Federal:</u>							
USDA Commodity Supplemental Feeding	TN. Dept. of Agriculture	10.55		-	110,065	110,065	-
Total Federal Assistance				<u>\$ (519,048)</u>	<u>\$ 2,707,019</u>	<u>\$ 2,771,995</u>	<u>\$ (584,024)</u>
<u>State Grants:</u>							
			<u>State Number</u>				
Lottery for Pre K/Pre K Pilot	TN. Dept. of Education	N/A		\$ (117,437)	\$ 323,208	\$ 275,827	\$ (70,056)
Lottery for Education After School	TN. Dept of Education	N/A		(61,653)	140,567	139,996	(61,082)
Coordinated School Health Grant	TN. Dept of Education	N/A		(13,622)	69,732	80,000	(23,890)
Safe Schools Act of 1998	TN. Dept of Education	N/A		(16,700)	16,700	16,160	(16,160)
BEP	TN. Dept of Education	N/A		-	13,764,000	13,764,000	-
Child Nutrition - State Match	TN. Dept of Education	N/A		-	17,929	17,929	-
Extended Contracts	TN. Dept. of Education	N/A		10,330	52,045	54,746	7,629
Career Ladder	TN. Dept. of Education	N/A		(7,706)	145,932	140,927	(2,701)
Total State Assistance				<u>\$ (206,788)</u>	<u>\$ 14,530,113</u>	<u>\$ 14,489,585</u>	<u>\$ (166,260)</u>

Note: Brackets signify a receivable.
* Major Program

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Surety Bond and Insurance Coverage

June 30, 2015

Insurance Company	Type of Insurance	Amount	Coverage
The Ohio Casualty Insurance Co.	Public Official Bond	\$ 1,143,081	Director of Schools
Wright Specialty-Catlin Insurance Co.	Crime Coverage:		
\$500 Deductible	Forgery or Alteration	100,000	Per Occurrence
\$500 Deductible	Employee Theft	100,000	Per Occurrence
\$500 Deductible	Inside the Premises- Theft of Money and Securities	100,000	Per Occurrence
\$500 Deductible	Outside the Premises- Theft of Money and Securities	100,000	Per Occurrence
Wright Specialty-Catlin Insurance Co.	Property Coverage:		
\$1,000 Deductible	Blanket Building & Contents	140,889,104	Limit All Locations
Per Occurrence	Equipment Breakdown	140,889,104	Limit All Locations
	Valuable Papers & Records	250,000	Per Occurrence
	Property Off-Premises	100,000	Per Occurrence
	Outdoor Fences, Signs & Trees	50,000	Per Occurrence
	Accounts Receivable	250,000	Per Occurrence
	Paved Surfaces	Included in Buildings	Per Occurrence
\$500 Deductible	Miscellaneous Property	64,700	Per Occurrence
\$500 Deductible	Radios and Cameras	50,000	Per Occurrence
\$500 Deductible	EDP- Hardware & Software	5,698,029	Per Occurrence & Annual Aggregate
5% Deductible	Earthquake	1,000,000	Per Occurrence & Annual Aggregate
\$25,000 Deductible	Flood	1,500,000	Per Occurrence & Annual Aggregate
Wright Specialty-Catlin Insurance Co.	General Liability	2,000,000	Aggregate Limit
	Each Occurrence Limit	1,000,000	
	Personal & Advertising Injury Limit	1,000,000	Aggregate Limit
	Fire Damage Limit	500,000	Per Occurrence
	Medical Expense Limit	15,000	Any One Person
	Sexual Misconduct or Sexual Molestation	1,000,000	Per Occurrence & Annual Aggregate
\$1,000 Deductible	Employee Benefits Coverage	1,000,000	Each Employee/\$3,000,000 Aggregate
	Innocent Party Defense Coverage	300,000	Each Occurrence & Annual Aggregate
	Adverse Event Response Coverage	50,000	Each Person
	Adverse Event Response Coverage	300,000	Each Occurrence & Annual Aggregate
\$1,000 Deductible	Law Enforcement Professional Liability	1,000,000	Per Occurrence & Annual Aggregate
Wright Specialty-Catlin Insurance Co.	Automobile Liability	1,000,000	Bodily Injury & Property Damage
All Per Occurrence			Liability Combined Per Occurrence
\$500 Comprehensive Deductible	Auto Physical Damage		Replacement Cost for Buses 5 Years
\$1,000 Collision Deductible-Buses			Old or Newer
\$500 Collision Deductible-All Others			Actual Cash Value for all other Vehicles
	Uninsured Motorist	1,000,000	Per Occurrence for Bodily Injury
			And Property Damage
	Medical Payments	5,000	Per Person
Wright Specialty-Catlin Insurance Co.	Educators Legal Liability	1,000,000	Per Claim & Annual Aggregate
\$2,500 Deductible	Non-Monetary Defense Coverage	100,000	Per Claim & Annual Aggregate
Key Risk-StarNet Insurance	Workers' Compensation:		
	Bodily Injury by Accident	1,000,000	Each Accident
	Bodily Injury by Disease	1,000,000	Each Employee & Annual Aggregate

FRANKLIN SPECIAL SCHOOL DISTRICT

Schedule of Principal Officials

June 30, 2015

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

* Elected at-Large

** Appointed

OTHER REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Special School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Matlock Clements, P.C." The signature is written in a cursive, flowing style.

November 18, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Franklin Special School District's (the District's) compliance with the types of compliance requirements described in the *OMB 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, 2015. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



November 18, 2015

FRANKLIN SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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 major federal programs:	
• 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 # 10.555 USDA Lunch
- CFDA # 10.553 USDA Breakfast
- CFDA # 10.559 USDA Summer Program
- CFDA # 84.027 IDEA Part B
- CFDA # 84.173 IDEA Preschool

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

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

No matters were reported.

III. Federal Award Findings – Required to be reported in Accordance With Section 510(a) of Circular A-133.

No matters were reported.