

**RICHARD CITY-DEPTFORD SCHOOL
GENERAL-PURPOSE SCHOOL FUNDS**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

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RICHARD CITY-DEPTFORD SCHOOL
School Board Members
June 30, 2015

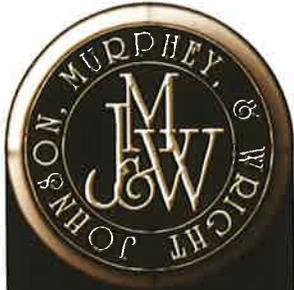
Cindy Blevins.....Director

Melissa Phenis..... Chairman

Bill Stuart Vice-Chairman

Mark Garner Member

II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Richard City-Deptford School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richard City-Deptford School's basic financial statements. The Introductory Section, non-major governmental fund financial statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major governmental fund financial statements and financial schedules 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 non-major governmental fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

To the Board of Education
Richard City-Deptford School
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Richard City-Deptford School'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 Richard City-Deptford School's internal control over financial reporting and compliance.

Chattanooga, Tennessee
October 30, 2015

Johnson, Munsley & Wright, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Richard City-Deptford School (RCDS) we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the RCDS for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Richard City-Deptford School's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,557,313 (net position).

Total governmental activities operated at a deficit of \$(39,478) for the year ended June 30, 2015.

RCDS paid off their school bond - series 2000 totaling \$1,095,000 and replaced it with their school bond -series 2015 of \$1,045,000 which has a lower interest rate.

The implementation of GASB 68 requires that net pension liabilities be recorded on the governmental activities financial statements. In this, the initial year of implementation, the Statement of Activities beginning net position was adjusted by \$334,913 to account for this change.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the RCDS's basic financial statements. The RCDS's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the RCDS's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the RCDS's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the RCDS is improving or deteriorating.

The *Statement of Activities* presents information showing how the RCDS's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the RCDS that are principally supported by taxes and intergovernmental revenues (governmental activities).

The government-wide financial statements include not only the RCDS, but also the operations of the Student Activity Funds. The governmental activities of RCDS include regular instruction, special education program, students and attendance, health services, other student support, regular and special education support, Board of Education, Superintendent, Principal, fiscal services, plant operations, maintenance of plant, food service, community services, student activities and interest on long-term debt.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The RCDS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the RCDS are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The RCDS maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are presented separately. Individual fund data for the non-major governmental funds are provided later in this report beginning on page 40.

The RCDS adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major and non-major governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23 through 38 of this report.

Other Information

The statements referred to earlier in connection with the non-major governmental funds, are presented following the notes and RSI. Individual fund statements can be found on pages 41 through 45 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain financial schedules concerning RCDS, which can be found on pages 46 through 51 of this report.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RCDS, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,557,313 at the close of this fiscal year.

A portion of the RCDS's net position (70.51%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The RCDS uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although RCDS's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richard City-Deptford School's Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Other assets	\$ 1,239,361	\$ 1,300,548
Capital assets	<u>4,021,859</u>	<u>4,190,622</u>
Total assets	<u>\$ 5,261,220</u>	<u>\$ 5,491,170</u>
Deferred outflows of resources	<u>\$ 94,351</u>	<u>\$ -</u>
Long-term liabilities	\$ 2,803,226	\$ 3,010,711
Other liabilities	<u>354,336</u>	<u>255,755</u>
Total liabilities	<u>\$ 3,157,562</u>	<u>\$ 3,266,466</u>
Deferred inflows of resources	<u>\$ 640,696</u>	<u>\$ 293,000</u>
Net investment in capital assets	\$ 1,098,137	\$ 1,179,911
Restricted	19,279	-
Unrestricted	<u>439,897</u>	<u>751,793</u>
Total net position	<u>\$ 1,557,313</u>	<u>\$ 1,931,704</u>

Only \$19,279 of the RCDS's net position represents resources that are subject to external restrictions on how they may be used. Therefore, \$439,897 in unrestricted net position may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2015, the RCDS is able to report positive balances in all three categories of net position.

Changes in Net Position

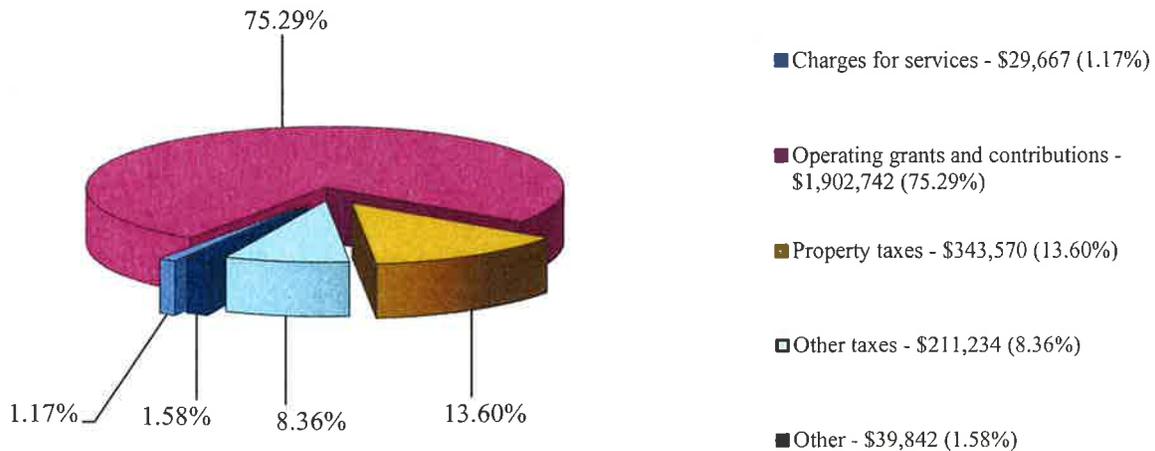
Governmental activities decreased the RCDS's net position by \$(39,478). The table below provides a summary of RCDS's changes in net position. The 2015 beginning net position was adjusted due to the implementation of GASB 68.

Richard City-Deptford School's Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 29,667	\$ 34,547
Operating grants and contributions	1,902,742	2,119,307
General revenues:		
Property taxes	343,570	303,222
Other taxes	211,234	198,807
Other	39,842	44,756
Total revenues	<u>2,527,055</u>	<u>2,700,639</u>
Expenses:		
Regular instruction	1,063,633	1,190,032
Special education program	113,394	109,137
Students and attendance	29,442	32,854
Health services	36,132	43,447
Other student support	76,500	74,891
Regular and special education support	65,731	71,653
Board of Education	63,906	59,144
Superintendent	78,186	81,710
Principal	74,853	75,034
Fiscal services	39,467	38,965
Plant operation	405,524	418,381
Maintenance of plant	37,459	34,360
Food service	151,783	147,967
Community services	5,913	5,598
Student activities	151,542	120,024
Interest on long-term debt	<u>173,068</u>	<u>158,134</u>
Total expenses	<u>2,566,533</u>	<u>2,661,331</u>
Increase (decrease) in net position	(39,478)	39,308
Net position - beginning	<u>1,596,791</u>	<u>1,892,396</u>
Net position - end	<u>\$ 1,557,313</u>	<u>\$ 1,931,704</u>

The graphs below summarize the \$2,527,055 of the School's revenues by source.

School-Wide Sources of Revenue



FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the RCDS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the RCDS's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the RCDS's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year the RCDS's governmental funds reported combined ending fund balances of \$706,326. Within the governmental funds, \$19,279 is restricted by the state, \$8,413 is committed by the School Board, and \$65,342 are assigned by the Student Activity Fund.

The General Fund is the chief operating fund of the RCDS. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$613,292. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 18.54% of total General Fund expenditures.

The fund balance of the RCDS's General Fund decreased by \$(45,467) during the current fiscal year.

General Fund Budgetary Highlights

During the year, the following amendments were made to the original budget:

Total budgeted revenues decreased by \$247,278.

Total budgeted expenditures decreased by \$145,135.

Expenditures in the General Fund exceeded the amount budgeted by \$1,264,978. The School Bonds - Series 2000 was paid off but was not budgeted as an expenditure.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The RCDS's capital assets for its governmental activities as of June 30, 2015, amounted to \$4,021,859 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and furniture, fixtures and equipment.

Major capital asset events during the current fiscal year included the following:

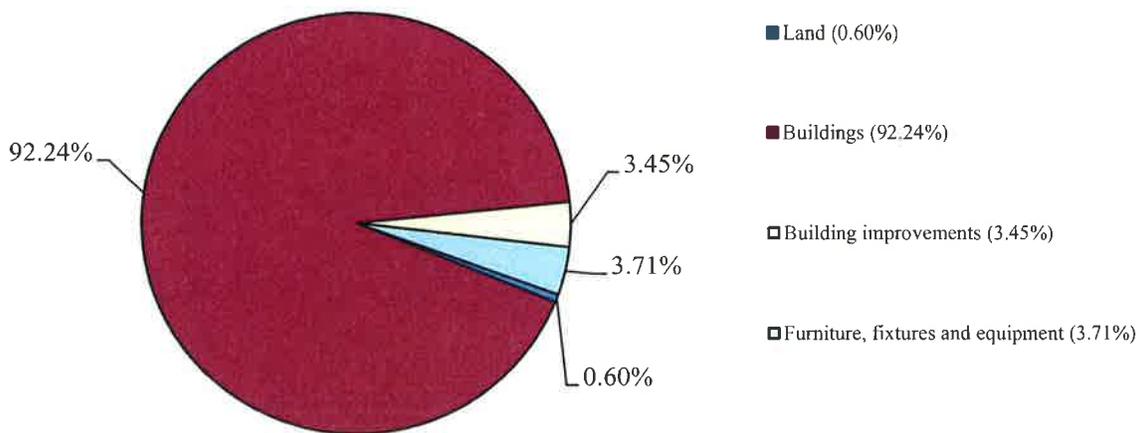
A/C units	\$ 6,000
Lawnmower	\$ 4,800
Swing sets	\$ 11,003
We play smart table	\$ 9,345

Richard City-Deptford School's Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>
Land	\$ 24,000
Buildings	3,709,946
Building improvements	138,921
Furniture, fixtures and equipment	<u>148,992</u>
	<u>\$ 4,021,859</u>

The following graph provides a breakdown of which assets make up the largest portion of the School's total investment in capital assets.

School-Wide Capital Assets



Additional information on the School's capital assets can be found in Note 5 on page 30.

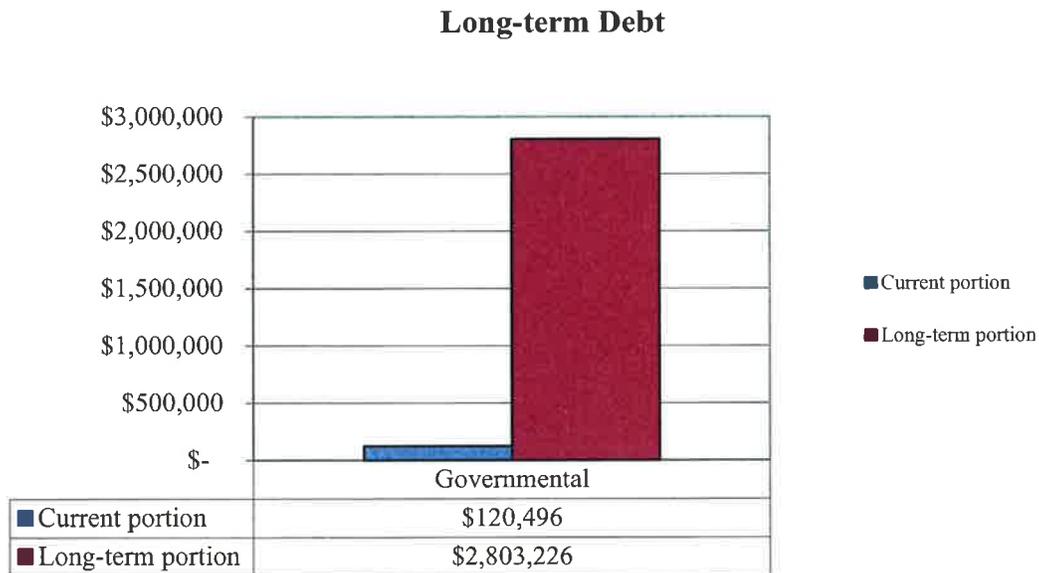
Richard City-Deptford School's Outstanding Debt

Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$2,923,722. Of this amount \$120,496 is due in the next fiscal year.

	<u>Governmental Activities</u>
School bonds - series 2015	\$ 1,045,000
School bonds - series 2004	<u>1,878,722</u>
	2,923,722
Current portion	<u>(120,496)</u>
Long-term debt	<u>\$ 2,803,226</u>

The graph below shows debt for governmental activities broken down into current and long-term portions.



Additional information on long-term debt can be found in Note 7 on page 31.

Currently Known Conditions Effecting Future Years

Richard City-Deptford School is in the process of constructing a ball field. While most of the materials and labor have been donated, the School estimates spending around \$10,000 and hopes to be finished by the spring of 2016.

Requests for Information

This financial report is designed to provide a general overview of RCDS's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report and requests for additional financial information may be addressed to Richard Hardy Memorial School, 1620 Hamilton Avenue, South Pittsburg, TN 37380.

BASIC FINANCIAL STATEMENTS

RICHARD CITY-DEPTFORD SCHOOL
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 646,224
Investments	258,199
Property tax receivable	302,644
Sales tax receivable	14,976
Grants receivable	13,123
Total current assets	<u>1,235,166</u>
Non-current assets	
Other assets	
Net pension asset	<u>4,195</u>
Capital assets	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	<u>3,997,859</u>
Total capital assets	<u>4,021,859</u>
Total non-current assets	<u>4,026,054</u>
TOTAL ASSETS	<u><u>\$ 5,261,220</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 94,351</u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,016
Accrued liabilities	230,824
Bond payable - due in one year	<u>120,496</u>
Total current liabilities	<u>354,336</u>
Non-current liabilities	
Bonds payable	<u>2,803,226</u>
TOTAL LIABILITIES	<u><u>\$ 3,157,562</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property tax	\$ 295,000
Deferred inflows related to pensions	<u>345,696</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 640,696</u></u>
 NET POSITION	
Net investment in capital assets	\$ 1,098,137
Restricted for education	19,279
Unrestricted	<u>439,897</u>
TOTAL NET POSITION	<u><u>\$ 1,557,313</u></u>

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

RICHARD CITY-DEPTFORD SCHOOL
Statement of Activities
Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
Regular instruction	\$ 1,063,633	\$ 17,368	\$ 1,563,412	\$ -	\$ 517,147
Special education program	113,394	-	71,691	-	(41,703)
Students and attendance	29,442	-	-	-	(29,442)
Health services	36,132	-	-	-	(36,132)
Other student support	76,500	3,514	-	-	(72,986)
Regular and special education support	65,731	-	15,781	-	(49,950)
Board of Education	63,906	-	-	-	(63,906)
Superintendent	78,186	-	-	-	(78,186)
Principal	74,853	-	-	-	(74,853)
Fiscal services	39,467	-	-	-	(39,467)
Plant operation	405,524	-	-	-	(405,524)
Maintenance of plant	37,459	-	-	-	(37,459)
Food service	151,783	8,785	89,387	-	(53,611)
Community services	5,913	-	-	-	(5,913)
Student activities	151,542	-	162,471	-	10,929
Interest on long-term debt	173,068	-	-	-	(173,068)
Total primary government	\$ 2,566,533	\$ 29,667	\$ 1,902,742	\$ -	(634,124)
General revenues:					
Property taxes					343,570
Payments in lieu of taxes					2,758
Local option sales tax					182,873
Hotel-motel tax					1,833
Bank excise tax					3,720
Wholesale beer tax					5,450
Other statutory local taxes					14,600
Pension income					3,598
Interest revenue					1,222
Other revenues					35,022
Total general revenues					594,646
Change in net position					(39,478)
Net position - beginning (see Note 15)					1,596,791
Net position - end					\$ 1,557,313

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

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 574,632	\$ 71,592	\$ 646,224
Investments	258,199	-	258,199
Due from other funds	5,277	-	5,277
Property tax receivable	302,644	-	302,644
Sales tax receivable	14,976	-	14,976
Grants receivable	10,423	2,700	13,123
TOTAL ASSETS	\$ 1,166,151	\$ 74,292	\$ 1,240,443
 LIABILITIES			
Accounts payable	\$ 1,992	\$ 1,024	\$ 3,016
Accrued liabilities	228,175	2,649	230,824
Due to other funds	-	5,277	5,277
TOTAL LIABILITIES	\$ 230,167	\$ 8,950	\$ 239,117
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	\$ 295,000	\$ -	\$ 295,000
 FUND BALANCES			
Restricted	\$ 19,279	\$ -	\$ 19,279
Committed	8,413	-	8,413
Assigned	-	65,342	65,342
Unassigned	613,292	-	613,292
TOTAL FUND BALANCES	\$ 640,984	\$ 65,342	\$ 706,326

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

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances per governmental funds balance sheet	\$ 706,326
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,021,859
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,923,722)
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(247,150)</u>
Net position of governmental activities	<u>\$ 1,557,313</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local taxes	\$ 535,214	\$ -	\$ 535,214
Special school district taxes	19,590	-	19,590
Licenses and permits	113	-	113
Charges for services	20,882	-	20,882
Other local revenues	44,726	190	44,916
Intergovernmental	1,585,677	154,594	1,740,271
Student activities	-	162,471	162,471
TOTAL REVENUES	<u>2,206,202</u>	<u>317,255</u>	<u>2,523,457</u>
EXPENDITURES			
Current expenditures			
Regular instruction	1,090,820	55,019	1,145,839
Special education program	81,468	34,915	116,383
Students and attendance	29,442	-	29,442
Health services	38,888	-	38,888
Other student support	63,328	13,172	76,500
Regular and special education support	14,244	51,488	65,732
Board of Education	63,906	-	63,906
Superintendent	83,917	-	83,917
Principal	80,173	-	80,173
Fiscal services	39,467	-	39,467
Plant operation	202,651	-	202,651
Maintenance of plant	36,643	-	36,643
Food service	151,783	-	151,783
Community services	5,913	-	5,913
Student activities	-	151,542	151,542
Capital outlay	20,088	-	20,088
Debt service	<u>1,305,057</u>	<u>-</u>	<u>1,305,057</u>
TOTAL EXPENDITURES	<u>3,307,788</u>	<u>306,136</u>	<u>3,613,924</u>
Excess (deficiency) of revenues over (under) expenditures	(1,101,586)	11,119	(1,090,467)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	<u>1,045,000</u>	<u>-</u>	<u>1,045,000</u>
Net change in fund balance	(56,586)	11,119	(45,467)
Fund balances - beginning	<u>697,570</u>	<u>54,223</u>	<u>751,793</u>
Fund balances - end	<u>\$ 640,984</u>	<u>\$ 65,342</u>	<u>\$ 706,326</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances for total governmental funds	\$ (45,467)
Governmental funds report capital outlay 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. This is the amount by which depreciation exceeds capital outlay in the current period.	(168,763)
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	1,131,989
Bonds issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the year additional bond proceeds were drawn on bonds payable.	(1,045,000)
Pension income from the prior year is not reported in the governmental funds but is added to governmental activities revenue. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>87,763</u>
Change in net position of governmental activities	<u>\$ (39,478)</u>

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes				
County property taxes	\$ 359,324	\$ 301,164	\$ 323,980	\$ 22,816
Payments in lieu of taxes	2,600	2,758	2,758	-
Local option sales tax	178,013	166,697	182,873	16,176
Hotel-motel tax	500	1,833	1,833	-
Bank excise tax	3,500	3,720	3,720	-
Wholesale beer tax	5,010	5,450	5,450	-
Mixed drink tax	100	14,455	14,455	-
Other statutory local taxes	100	145	145	-
Total local taxes	<u>549,147</u>	<u>496,222</u>	<u>535,214</u>	<u>38,992</u>
Special school district taxes				
City property tax	<u>24,010</u>	<u>19,590</u>	<u>19,590</u>	<u>-</u>
License and permits				
Marriage license	<u>100</u>	<u>113</u>	<u>113</u>	<u>-</u>
Charges for services				
Tuition	20,000	18,143	17,368	(775)
After school program	<u>6,500</u>	<u>3,514</u>	<u>3,514</u>	<u>-</u>
Total charges for services	<u>26,500</u>	<u>21,657</u>	<u>20,882</u>	<u>(775)</u>
Other local revenues				
Interest earned	750	1,032	1,032	-
Miscellaneous	6,000	16,470	16,470	-
Contributions and gifts	10,000	18,348	18,439	91
Lunch and snacks	<u>6,000</u>	<u>8,785</u>	<u>8,785</u>	<u>-</u>
Total other local revenues	<u>22,750</u>	<u>44,635</u>	<u>44,726</u>	<u>91</u>
Intergovernmental				
Education funds	1,325,601	1,147,981	1,317,345	169,364
Education funds - awards	169,365	169,365	169,365	-
Career ladder program	9,500	10,745	9,580	(1,165)
USDA lunch and breakfast	<u>120,000</u>	<u>89,387</u>	<u>89,387</u>	<u>-</u>
Total intergovernmental	<u>1,624,466</u>	<u>1,417,478</u>	<u>1,585,677</u>	<u>168,199</u>
TOTAL REVENUES	<u>2,246,973</u>	<u>1,999,695</u>	<u>2,206,202</u>	<u>206,507</u>

(Continued)

The accompanying notes are an integral part of the financial statements

RICHARD CITY-DEPTFORD SCHOOL

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES				
Current Expenditures				
Regular instruction				
Salaries	\$ 826,428	\$ 729,646	\$ 841,142	\$ (111,496)
Payroll taxes	58,326	53,755	60,945	(7,190)
Retirement	65,906	61,865	69,561	(7,696)
Medical insurance	38,951	22,427	30,118	(7,691)
Contracted services	14,000	14,120	14,120	-
Supplies and materials	52,021	22,680	61,587	(38,907)
Other charges	2,000	1,510	1,520	(10)
Unemployment insurance	11,827	11,827	11,827	-
Total regular instruction	<u>1,069,459</u>	<u>917,830</u>	<u>1,090,820</u>	<u>(172,990)</u>
Special education program				
Salaries	59,617	72,021	72,076	(55)
Payroll taxes	4,561	5,156	5,156	-
Retirement	4,693	4,236	4,236	-
Medical insurance	1,208	-	-	-
Supplies and materials	1,550	-	-	-
Total special education program	<u>71,629</u>	<u>81,413</u>	<u>81,468</u>	<u>(55)</u>
Students and attendance				
Salaries	23,025	23,025	23,025	-
Payroll taxes	1,762	1,762	1,762	-
Contracted services	-	2,500	2,500	-
Supplies and materials	600	766	766	-
Travel	3,100	626	1,389	(763)
Total students and attendance	<u>28,487</u>	<u>28,679</u>	<u>29,442</u>	<u>(763)</u>
Health services				
Salaries	28,090	28,090	28,090	-
Payroll taxes	2,112	2,112	2,112	-
Contracted services	750	-	521	(521)
Supplies and materials	2,350	873	3,629	(2,756)
Travel	3,000	-	2,973	(2,973)
Other charges	1,274	-	1,563	(1,563)
Total health services	<u>37,576</u>	<u>31,075</u>	<u>38,888</u>	<u>(7,813)</u>

(Continued)

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Other student support				
Salaries	\$ -	\$ 4,350	\$ 4,350	\$ -
Payroll taxes	-	337	337	-
Contracted services	5,000	27,224	27,224	-
Supplies and materials	650	1,561	1,561	-
Travel	700	1,631	1,631	-
Other charges	60,000	27,225	28,225	(1,000)
Total other student support	<u>66,350</u>	<u>62,328</u>	<u>63,328</u>	<u>(1,000)</u>
Regular and special education support				
Salaries	2,572	2,572	2,572	-
Payroll taxes	196	196	196	-
Contracted services	8,000	9,584	9,584	-
Travel	1,400	1,832	1,832	-
Other charges	60	60	60	-
Total regular and special education support	<u>12,228</u>	<u>14,244</u>	<u>14,244</u>	<u>-</u>
Board of Education				
Professional services	22,750	22,127	22,127	-
Travel	1,000	3,600	3,600	-
Other charges	-	6,853	6,868	(15)
Dues and memberships	1,200	416	416	-
Insurance	21,393	19,464	22,014	(2,550)
Trustee commission	10,500	8,881	8,881	-
Total Board of Education	<u>56,843</u>	<u>61,341</u>	<u>63,906</u>	<u>(2,565)</u>
(Continued)				

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Superintendent				
Salaries	\$ 60,754	\$ 63,401	\$ 63,401	\$ -
Payroll taxes	4,518	4,773	4,773	-
Retirement	5,402	5,731	5,731	-
Supplies and materials	200	210	210	-
Travel	4,000	2,048	2,048	-
Other charges	368	307	307	-
Dues and memberships	2,000	1,993	1,993	-
Communication	5,100	4,963	5,454	(491)
Total Superintendent	<u>82,342</u>	<u>83,426</u>	<u>83,917</u>	<u>(491)</u>
Principal				
Salaries	58,855	43,855	58,855	(15,000)
Payroll taxes	3,868	2,721	3,868	(1,147)
Retirement	5,320	3,964	5,320	(1,356)
Medical insurance	6,010	6,010	6,010	-
Supplies and materials	55	34	34	-
Travel	1,000	-	-	-
Other charges	363	307	307	-
Dues and memberships	100	55	55	-
Communication	5,100	5,233	5,724	(491)
Total Principal	<u>80,671</u>	<u>62,179</u>	<u>80,173</u>	<u>(17,994)</u>
Fiscal services				
Salaries	33,000	33,658	33,658	-
Payroll taxes	2,525	2,575	2,575	-
Supplies and materials	1,250	1,463	966	497
Travel	1,500	534	534	-
Other charges	1,350	1,734	1,734	-
Total fiscal services	<u>39,625</u>	<u>39,964</u>	<u>39,467</u>	<u>497</u>
(Continued)				

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Plant operation				
Salaries	\$ 63,880	\$ 60,834	\$ 60,834	\$ -
Payroll taxes	4,881	4,551	4,551	-
Contracted services	13,500	15,156	15,156	-
Supplies and materials	15,450	10,654	10,654	-
Travel	2,500	1,555	1,555	-
Other charges	1,500	1,252	1,252	-
Insurance	16,415	15,467	15,467	-
Utilities	100,812	83,370	93,182	(9,812)
Total plant operation	<u>218,938</u>	<u>192,839</u>	<u>202,651</u>	<u>(9,812)</u>
Maintenance of plant				
Maintenance and repairs - building	3,000	9,735	9,735	-
Maintenance and repairs - equipment	8,000	8,450	8,450	-
Vehicle	800	918	918	-
Equipment and machine parts	1,000	716	716	-
Contracted services	12,300	16,654	16,824	(170)
Total maintenance of plant	<u>25,100</u>	<u>36,473</u>	<u>36,643</u>	<u>(170)</u>
Food service				
Salaries	31,765	30,597	30,597	-
Payroll taxes	2,430	2,306	2,306	-
Contracted services	95,000	112,971	113,083	(112)
Supplies and materials	2,500	2,409	2,409	-
Staff development	400	280	280	-
Travel	1,000	616	616	-
Other charges	4,000	2,582	2,492	90
Total food service	<u>137,095</u>	<u>151,761</u>	<u>151,783</u>	<u>(22)</u>
Community services				
Salaries	5,000	5,492	5,492	-
Payroll taxes	383	421	421	-
Total community service	<u>5,383</u>	<u>5,913</u>	<u>5,913</u>	<u>-</u>
(Continued)				

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Capital outlay				
Regular instruction equipment	\$ -	\$ 4,264	\$ 4,264	\$ -
Special educatioin program	-	1,246	1,246	-
Maintenance of plant equipment	500	5,616	5,616	-
Building improvements	-	6,000	8,962	(2,962)
Total capital outlay	<u>500</u>	<u>17,126</u>	<u>20,088</u>	<u>(2,962)</u>
Debt service				
Principal paid on debt	75,000	75,000	1,131,989	(1,056,989)
Interest paid on debt	180,719	181,219	173,068	8,151
Total debt service	<u>255,719</u>	<u>256,219</u>	<u>1,305,057</u>	<u>(1,048,838)</u>
TOTAL EXPENDITURES	<u>2,187,945</u>	<u>2,042,810</u>	<u>3,307,788</u>	<u>(1,264,978)</u>
Excess (deficiency) of revenues over (under) expenditures	59,028	(43,115)	(1,101,586)	(1,058,471)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	1,045,000	1,045,000
Net change in fund balance	59,028	(43,115)	(56,586)	(13,471)
Fund balances - beginning	<u>697,570</u>	<u>697,570</u>	<u>697,570</u>	<u>-</u>
Fund balances - end	<u>\$ 756,598</u>	<u>\$ 654,455</u>	<u>\$ 640,984</u>	<u>\$ (13,471)</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Notes to Financial Statements
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Richard City-Deptford School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the Richard City-Deptford School (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon 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.

Based on the foregoing criteria there are no entities which meet the above criteria for inclusion in the Richard City-Deptford School financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as governmental activities.

Government-wide statements

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis for column, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide statements (Continued)

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as needed.

This government-wide focus is designed to view the School as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements

The fund financial statements provide information about the School's funds (its governmental funds). Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The School reports the following major governmental fund:

General Fund

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

C. Measurement Focus - Basis of Accounting

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

All governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus and the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers property taxes as available if they are collected within 60 days after the year-end. Those revenues susceptible to accrual are taxes, tuition and interest revenue. Licenses and permits, and most miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Budgets

The School is required by state statute to adopt annual budgets. The General Fund and Federal Projects Fund 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 School Board, and any authorized revisions.

The Student Activity Fund is not required by state statutes to have an appropriated budget. However, student activity funds are required to have a management budget for each fiscal year.

Budgeted amounts are adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. During the year, several supplementary appropriations were necessary. All appropriations which are not expended lapse at year-end.

E. Cash and Cash Equivalents

For the purpose of reporting cash on the Statement of Net Position, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less, when purchased to be cash equivalents. Cash consists of cash-on-hand and deposits with financial institutions. At June 30, 2015, there were no cash equivalents.

F. Investments

All investments are reported at fair value, which is based on quoted market prices.

The School is authorized by State Statutes to invest in the following:

- Bonds, notes or treasury bills of the United States.

- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

- Any obligation guaranteed by the United States or any of its agencies.

- Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

- The Local Government Investment Pool created by Title 9.

G. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Transactions (Continued)

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as operating transfers and are included as other financing sources or uses in the governmental funds.

H. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset's lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	15-40
Furniture, fixtures and equipment	5-20
Building improvements	7-15

J. 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. Currently, the School has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

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*, represents 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. Currently, the School has two types of items that qualify for reporting in this category: deferred revenue - property tax and deferred inflows related to pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation pay is not computed or paid separately, but is built into salaries which are paid over the twelve month school year. Therefore no accrual is required. The granting of sick leave has no guaranteed payment attached and requires no accrual.

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

M. Pensions

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.

N. Net Position

Net position is the residual of all elements presented in the Statement of Net Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets which are maintained for a specific purpose.

O. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable: The School cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The School Board has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, a simple majority vote.

Assigned: Amounts that are constrained by the School's intent to be used for specific purposes are reflected as assigned. The principal is the official authorized to assign amounts to a specific purpose. Authorization is established by the *Tennessee Internal School Uniform Accounting Policy Manual*.

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned resources are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Student Activity Fund

Richard City-Deptford School's Activity Fund is authorized by the Board of Education's adoption of the "Tennessee Internal School Financial Management Manual". Funds are received from fund-raisers. The proceeds received are used to benefit all students, or the restricted purpose for which they were collected. These funds are the property of Richard City-Deptford School, and they are responsible for them when received by their employees.

R. Events Occurring after Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2015, and October 30, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2015, the carrying amount of the School's deposits was \$904,423, and the bank balance was \$923,780. At year-end, none of the School's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

The carrying amount of the School's deposits and certificates of deposit is classified as follows on the Statement of Net Position:

Cash	\$ 646,224
Investments	<u>258,199</u>
Total	<u>\$ 904,423</u>

Investments

The School's investments are carried at fair value, and consist of certificates of deposit. The School's investments are listed on the Statement of Net Position as follows:

Investments	<u>\$ 258,199</u>
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NOTE 3 - PROPERTY TAXES

The School recognizes property tax revenues on the accrual basis in the government-wide financial statements, and in the governmental funds they are recognized on the modified accrual basis, as prescribed by the Governmental Accounting Standards Board.

Special School District property taxes received by the School are assessed by the Tax Assessor of Marion County, Tennessee, and collected by the County. Taxes are due October 1, and become delinquent March 1. The tax rate for the 2015 year was \$.1965 per \$100 of assessed valuation.

The School also receives .0617% per \$100 of the total assessed valuation for Marion County. This rate is based on school attendance.

Marion County has periodic public sales of delinquent tax properties. Accordingly, there is no allowance for uncollectibles recorded in the financial statements.

In addition to the Special School District property taxes, the School receives a portion of county property taxes and other miscellaneous county taxes, based on the percentage of the School's student enrollment to total county school enrollment.

Property taxes for the 2015 levy are considered to be owed to the School as of the lien date on January 1, 2015. Therefore, the entire 2015 levy was recorded as a receivable and deferred revenue as of June 30, 2015, in the financial statements.

NOTE 4 - GRANTS RECEIVABLE

Grant receivable at June 30, 2015, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title 1, Part A	\$ 124
IDEA - Part B	2,163
IDEA - Preschool	252
Title II, Part A	161
State Discretionary - Coordinated School Health - Expansion	3,984
State Discretionary - Early Childhood Education - Pilot/State	<u>6,439</u>
Total	<u>\$ 13,123</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Capital assets being depreciated:				
Buildings	5,631,495	-	-	5,631,495
Building improvements	614,897	6,000	-	620,897
Furniture, fixtures and equipment	<u>351,322</u>	<u>25,148</u>	<u>(3,149)</u>	<u>373,321</u>
Total capital assets being depreciated	<u>6,597,714</u>	<u>31,148</u>	<u>(3,149)</u>	<u>6,625,713</u>
Less accumulated depreciation for:				
Buildings	1,785,987	135,562	-	1,921,549
Building improvements	445,717	36,259	-	481,976
Furniture, fixtures and equipment	<u>199,388</u>	<u>28,090</u>	<u>(3,149)</u>	<u>224,329</u>
Total accumulated depreciation	<u>2,431,092</u>	<u>199,911</u>	<u>(3,149)</u>	<u>2,627,854</u>
Total capital assets being depreciated - net	<u>4,166,622</u>	<u>(168,763)</u>	<u>-</u>	<u>3,997,859</u>
Governmental activities capital assets - net	<u>\$ 4,190,622</u>	<u>\$ (168,763)</u>	<u>\$ -</u>	<u>\$ 4,021,859</u>

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

Plant operation	<u>\$ 199,911</u>
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NOTE 6 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2015, consists of the following:

Deferred outflows for actuarial experience	\$ 11,884
Amortization of deferred outflows for actuarial experience	(1,698)
2015 contribution	<u>84,165</u>
Total	<u>\$ 94,351</u>

NOTE 7 - LONG-TERM DEBT

A. Governmental Debt General Fund

Long-term debt payable by the General Fund, which consists of bonds payable, is summarized as follows:

	<u>Principal Balance</u>
Bonds payable - School Bond - Series 2000, due in varying annual amounts, interest rate 5.35% to 7.75%, refinanced by Series 2015 bonds.	\$ -
Bonds payable - School Bond - Series 2015, due in varying annual payments, interest rate 3.75%, maturing in 2025.	1,045,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$115,644, interest rate 4.25%, maturing in 2043.	<u>1,878,722</u>
	2,923,722
Less current portion of governmental long-term debt	<u>(120,496)</u>
Total governmental long-term debt	<u>\$ 2,803,226</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2015, is as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>	Amount due Within <u>One Year</u>
School bonds - Series 2000	\$ 1,095,000	\$ -	\$ (1,095,000)	\$ -	\$ -
School bonds - Series 2015	-	1,045,000	-	1,045,000	85,000
School bonds - Series 2004	<u>1,915,711</u>	-	<u>(36,989)</u>	<u>1,878,722</u>	<u>35,496</u>
Total	<u>\$ 3,010,711</u>	<u>\$1,045,000</u>	<u>\$(1,131,989)</u>	2,923,722	<u>\$ 120,496</u>
Less: current portion of governmental long-term debt				<u>(120,496)</u>	
Total governmental long-term debt				<u>\$ 2,803,226</u>	

Interest paid during the year ended June 30, 2015, on governmental long-term debt amounted to \$173,068.

Governmental debt service requirements to maturity including interest of \$1,598,642 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 120,496	\$ 119,085	\$ 239,581
2017	127,034	114,610	241,644
2018	133,639	109,630	243,269
2019	135,314	104,392	239,706
2020	147,061	99,083	246,144
2021-2025	814,280	404,754	1,219,034
2026-2030	295,822	282,398	578,220
2031-2035	365,725	212,495	578,220
2036-2040	452,145	126,075	578,220
2041-2044	<u>332,206</u>	<u>26,120</u>	<u>358,326</u>
Total	<u>\$ 2,923,722</u>	<u>\$ 1,598,642</u>	<u>\$ 4,522,364</u>

NOTE 8 - NET PENSION ASSET

Net pension asset at June 30, 2015, consists of the following:

Net pension liability at July 1, 2013	\$ (424,907)
Employer contributions made during 2014	89,994
Pension income	3,598
Actuarial experience different than assumption	(11,884)
Amortization of actuarial experience	1,698
Investment earnings greater than assumption	432,120
Amortization of investment earnings	<u>(86,424)</u>
Total	<u>\$ 4,195</u>

NOTE 9 - DEFERRED REVENUE - PROPERTY TAX

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer inflows recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ -</u>	<u>\$ 295,000</u>	<u>\$ 295,000</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 10 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2015, consists of the following:

Deferred inflows for investment earnings	\$ 432,120
Amortization of deferred inflows for investment earnings	<u>(86,424)</u>
Total	<u>\$ 345,696</u>

NOTE 11 - NET POSITION RESTRICTIONS

The School can restrict net position to be maintained for specific purposes. The nature and purpose of these are explained as follows:

Restricted for education - \$19,279 of funds are legally restricted by the State or other sources for various purposes.

NOTE 12 - FUND BALANCES

Fund balances are classified as follows:

Restricted: \$19,279 is legally restricted by the State or other sources for various purposes.

Committed: \$8,413 is committed by the School Board for education purposes.

Assigned: \$65,342 of Student Activity funds are assigned for a specific purpose.

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the School that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

NOTE 13 - INTERNAL BALANCES

Internal balances at June 30, 2015, consist of the following:

<u>Due to:</u>	<u>Due from:</u> <u>Federal Projects</u> <u>Fund</u>
General Fund	\$ <u>5,277</u>

Internal balance represents amounts paid by the General Fund on behalf of the Federal Projects Fund that are to be reimbursed in the next fiscal year.

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the governmental-wide Statement of Net Position. One element of that reconciliation explains that, "long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(2,923,722) difference are as follows:

Bonds - 2015	\$ (1,045,000)
Bonds - 2004	<u>(1,878,722)</u>
Net adjustment	<u>\$ (2,923,722)</u>

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(247,150) difference are as follows:

Deferred outflows related to pensions	\$ 94,351
Net pension liability (asset)	4,195
Deferred inflows related to pensions	<u>(345,696)</u>
Net adjustment	<u>\$ (247,150)</u>

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "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". The details of this \$(168,763) difference are as follows:

Depreciation expense	\$ (199,911)
Capital outlay	<u>31,148</u>
Net adjustment	<u>\$ (168,763)</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$1,131,989 difference are as follows:

Bonds - 2000	\$1,095,000
Bonds - 2004	<u>36,989</u>
Net adjustment	<u>\$1,131,989</u>

Another element of that reconciliation states that, "Pension income from the prior year is not reported in the governmental funds but is added to governmental activities revenue. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$87,763 difference are as follows:

Pension income	\$ 3,598
Contributions	<u>84,165</u>
Net adjustment	<u>\$ 87,763</u>

NOTE 15 - GASB STATEMENT 68 IMPLEMENTATION ADJUSTMENT

GASB Statement 68 requires net pension liabilities to be recorded on the Statement of Net Position. During the year of implementation, beginning net position on the Statement of Activities is adjusted as follows:

June 30, 2014 ending net position	\$ 1,931,704
June 30, 2014 net pension liability	(424,907)
June 30, 2014 contributions	<u>89,994</u>
Beginning net position as listed on Statement of Activities	<u>\$ 1,596,791</u>

NOTE 16 - DEFINED BENEFIT PLAN

General Information about the Pension Plan

Plan Description

Teachers with memberships in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Richard City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan 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 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 establishes 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 by 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit.

No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including 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.

NOTE 16 - DEFINED BENEFIT PLAN (Continued)

General Information about the Pension Plan (Continued)

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 of 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 \$84,165, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities

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.

Pension Expense

Since the measurement date is June 30, 2014, Richard City Schools 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, Richard City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date of June 30, 2014	\$ 84,165	(not applicable)

Richard City Schools' employer contributions of \$84,165 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.

Payable to the Pension Plan

At June 30, 2015, Richard City Schools reported an asset of \$4,195 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

NOTE 17 - 401(K) PLAN

As of July 1, 2014, in addition to the TCRS Teacher Retirement Plan, Richard City-Deptford School also established a 401(k) plan administered by Great West. In this plan, teachers hired before July 1, 2014 contribute 2% of their salary. Teachers hired after July 1, 2014 contribute 2% of their salary and also receive a 5% employer contribution.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, Richard City-Deptford School reported deferred outflows of resources and deferred inflows of resources related to their 401(k) plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actuarial experience	\$ 10,186	\$ (not applicable)
Net difference between projected and actual earnings on plan investments	<u>(not applicable)</u>	<u>345,696</u>
Total	<u>\$ 10,186</u>	<u>\$ 345,696</u>

NOTE 18 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

Tennessee Code Annotated (TCA) Section 6-56-203 requires an annual balanced budget for the General Fund and each special revenue fund. During the year, the General Fund had expenditures that exceeded its budgeted amount by \$1,264,978.

NOTE 19 - COMMERCIAL INSURANCE

It is the policy of the School to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 20 - CONTINGENT LIABILITIES

As of June 30, 2015, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition.

NOTE 21 - SALARY SUPPLEMENTS

No salary supplements were paid to any employee of the School from Activity Funds.

NOTE 22 - LITIGATION AND CLAIMS

Certain claims and lawsuits are pending against the School. In the opinion of the School management, the potential loss on all claims and lawsuits will not be significant to the School's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Richard City Schools Contributions
Teacher Retirement Plan of TCRS
June 30, 2015

	2015
Actuarially Determined Contributions (ADC)	\$ 52,603
Contributions in relation to the actuarially determined contribution	(84,165)
Contribution deficiency (excess)	<u>\$ (31,562)</u>
 Richard City Schools' covered-employee payroll	 \$ 2,104,125
 Contributions as a percentage of Richard City Schools' covered-employee payroll	 4%

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.

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

Student Activity Fund

This fund accounts for proceeds received from proceeds of athletic events, concessions and fund-raisers and for the disbursement of those funds.

Federal Projects Fund

This fund accounts for federal project funds received from the Federal Government and for disbursement of those funds for federal programs of the Richard City-Deptford School.

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue		Total
	Funds		
	Student	Federal	Governmental
	Activity	Projects	Funds
	Fund	Fund	
ASSETS			
Cash	\$ 67,991	\$ 3,601	\$ 71,592
Grants receivable	-	2,700	2,700
TOTAL ASSETS	<u>\$ 67,991</u>	<u>\$ 6,301</u>	<u>\$ 74,292</u>
LIABILITIES			
Accounts payable	\$ -	\$ 1,024	\$ 1,024
Accrued liabilities	2,649	-	2,649
Due to other funds	-	5,277	5,277
TOTAL LIABILITIES	<u>\$ 2,649</u>	<u>\$ 6,301</u>	<u>\$ 8,950</u>
FUND BALANCES			
Assigned	<u>\$ 65,342</u>	<u>\$ -</u>	<u>\$ 65,342</u>

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	Special Revenue Funds		Total Non-major Governmental Funds
	Student Activity Fund	Federal Projects Fund	
REVENUES			
Other local revenues	\$ 190	\$ -	\$ 190
Intergovernmental	-	154,594	154,594
Student activities	162,471	-	162,471
TOTAL REVENUES	<u>162,661</u>	<u>154,594</u>	<u>317,255</u>
EXPENDITURES			
Current expenditures			
Regular instruction	-	55,019	55,019
Special education program	-	34,915	34,915
Other student support	-	13,172	13,172
Regular and special education support	-	51,488	51,488
Student activities	151,542	-	151,542
TOTAL EXPENDITURES	<u>151,542</u>	<u>154,594</u>	<u>306,136</u>
Excess (deficiency) of revenues over (under) expenditures	11,119	-	11,119
Fund balances - beginning	<u>54,223</u>	<u>-</u>	<u>54,223</u>
Fund balances - end	<u>\$ 65,342</u>	<u>\$ -</u>	<u>\$ 65,342</u>

RICHARD CITY-DEPTFORD SCHOOL
Student Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Other local revenues				
Interest	\$ 125	\$ 125	\$ 190	\$ 65
Student activities				
Annual	10,000	10,000	12,190	2,190
Instruction supplies	17,250	17,250	11,007	(6,243)
School production and trips	7,300	7,300	28,094	20,794
Athletics	31,200	31,200	33,199	1,999
Administration	-	-	3,806	3,806
Class and clubs	43,150	43,150	74,175	31,025
Total student activities	<u>108,900</u>	<u>108,900</u>	<u>162,471</u>	<u>53,571</u>
TOTAL REVENUES	<u>109,025</u>	<u>109,025</u>	<u>162,661</u>	<u>53,636</u>
EXPENDITURES				
Current expenditures				
Annual	7,500	17,576	12,834	4,742
Instruction supplies	5,050	11,200	7,670	3,530
School production and trips	7,300	29,958	28,157	1,801
Athletics	28,200	28,200	24,095	4,105
Administration	1,500	6,510	6,508	2
Class and clubs	35,500	80,267	72,278	7,989
Total student activities	<u>85,050</u>	<u>173,711</u>	<u>151,542</u>	<u>22,169</u>
TOTAL EXPENDITURES	<u>85,050</u>	<u>173,711</u>	<u>151,542</u>	<u>22,169</u>
Excess (deficiency) of revenues over (under) expenditures	23,975	(64,686)	11,119	75,805
Fund balances - beginning	<u>54,223</u>	<u>54,223</u>	<u>54,223</u>	<u>-</u>
Fund balances - end	<u>\$ 78,198</u>	<u>\$ (10,463)</u>	<u>\$ 65,342</u>	<u>\$ 75,805</u>

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Title I	\$ 57,526	\$ 57,526	\$ 57,650	\$ 124
Title II - Part A	9,311	9,311	9,472	161
Title VI	-	-	15,781	15,781
IDEA - Part B	65,526	65,526	67,690	2,164
IDEA - Preschool	3,749	3,749	4,001	252
TOTAL REVENUES	<u>136,112</u>	<u>136,112</u>	<u>154,594</u>	<u>18,482</u>
EXPENDITURES				
Current expenditures				
Regular instruction				
Salaries	39,479	39,479	38,176	1,303
Payroll taxes	2,998	2,998	2,920	78
Retirement	3,535	3,535	3,444	91
Supplies and materials	12,678	12,678	10,479	2,199
Other charges	250	250	-	250
Total regular instruction	<u>58,940</u>	<u>58,940</u>	<u>55,019</u>	<u>3,921</u>
Special education program				
Salaries	31,500	31,500	31,500	-
Payroll taxes	2,410	2,410	2,390	20
Supplies and materials	3,726	3,726	1,025	2,701
Total special education program	<u>37,636</u>	<u>37,636</u>	<u>34,915</u>	<u>2,721</u>
Other student support				
Salaries	5,750	5,750	10,673	(4,923)
Payroll taxes	420	420	753	(333)
Retirement	315	315	889	(574)
Medical insurance	242	242	695	(453)
Other charges	615	615	162	453
Total other student support	<u>7,342</u>	<u>7,342</u>	<u>13,172</u>	<u>(5,830)</u>

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Regular and special education support				
Salaries	\$ 33,577	\$ 33,577	\$ 31,317	\$ 2,260
Payroll taxes	2,570	2,570	2,396	174
Retirement	2,469	2,469	2,468	1
Contracted services	8,937	8,937	8,275	662
Supplies and materials	2,935	2,935	1,454	1,481
Staff development	16,010	16,010	5,578	10,432
Other charges	4,000	4,000	-	4,000
Total regular and special education support	<u>70,498</u>	<u>70,498</u>	<u>51,488</u>	<u>19,010</u>
TOTAL EXPENDITURES	<u>174,416</u>	<u>174,416</u>	<u>154,594</u>	<u>19,822</u>
Excess (deficiency) of revenues over (under) expenditures	(38,304)	(38,304)	-	(38,304)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end	<u>\$ (38,304)</u>	<u>\$ (38,304)</u>	<u>\$ -</u>	<u>\$ (38,304)</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Identification Number</u>	<u>(Receivable) Deferred July 1, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred June 30, 2015</u>
<u>FEDERAL FINANCIAL ASSISTANCE</u>						
U.S. Department of Education						
Passed through Tennessee Department of Education:						
Elementary and Secondary Education Act - Title I, Part A						
	84.010A	2014.01	\$ (3,336)	\$ 60,862	\$ 57,650	\$ (124)
IDEA - Part B	84.027A	2014.01	(1,091)	66,618	67,690	(2,163)
IDEA - Preschool	84.173A	2014.01	(317)	4,066	4,001	(252)
Title II, Part A	84.367A	2014.01	(317)	9,628	9,472	(161)
Title VI	84.358A		(7,820)	23,601	15,781	-
State Discretionary - Coordinated School Health - Expansion	84.397		<u>(26,514)</u>	<u>95,529</u>	<u>72,999</u>	<u>(3,984)</u>
Total federal financial awards			<u>(39,395)</u>	<u>260,304</u>	<u>227,593</u>	<u>(6,684)</u>
<u>STATE FINANCIAL ASSISTANCE</u>						
State Discretionary - Early Childhood Education - Pilot/State			<u>(42,647)</u>	<u>132,574</u>	<u>96,366</u>	<u>(6,439)</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ (82,042)</u>	<u>\$ 392,878</u>	<u>\$ 323,959</u>	<u>\$ (13,123)</u>

RICHARD CITY-DEPTFORD SCHOOL
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Richard City-Deptford School and is presented on the modified accrual basis of accounting.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Bonds of School Officials
Year Ended June 30, 2015

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>	<u>Expires</u>
Cindy Blevins, Director of Schools	Western Surety Company	\$ 150,000	09/05/2016

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2015

SCHOOL BOND - SERIES 2015
Bearing interest at the annual rate of 3.75%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 85,000	\$ 38,937	\$ 123,937
2017	90,000	36,000	126,000
2018	95,000	32,625	127,625
2019	95,000	29,062	124,062
2020	105,000	25,500	130,500
2021	110,000	21,563	131,563
2022	110,000	17,438	127,438
2023	115,000	13,313	128,313
2024	120,000	9,000	129,000
2025	<u>120,000</u>	<u>4,500</u>	<u>124,500</u>
Total	<u>\$ 1,045,000</u>	<u>\$ 227,938</u>	<u>\$ 1,272,938</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2015

SCHOOL BOND - SERIES 2004
Bearing interest at the annual rate of 4.25%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 35,496	\$ 80,148	\$ 115,644
2017	37,034	78,610	115,644
2018	38,639	77,005	115,644
2019	40,314	75,330	115,644
2020	42,061	73,583	115,644
2021	43,884	71,760	115,644
2022	45,786	69,858	115,644
2023	47,770	67,874	115,644
2024	49,840	65,804	115,644
2025	52,000	63,644	115,644
2026	54,254	61,390	115,644
2027	56,605	59,039	115,644
2028	59,058	56,586	115,644
2029	61,617	54,027	115,644
2030	64,288	51,356	115,644
2031	67,074	48,570	115,644
2032	69,981	45,663	115,644
2033	73,013	42,631	115,644
2034	76,178	39,466	115,644
2035	79,479	36,165	115,644
2036	82,923	32,721	115,644
2037	86,517	29,127	115,644
2038	90,267	25,377	115,644
2039	94,178	21,466	115,644
2040	98,260	17,384	115,644
2041	102,518	13,126	115,644
2042	106,961	8,683	115,644
2043	111,597	4,047	115,644
2044	11,130	264	11,394
Total	<u>\$ 1,878,722</u>	<u>\$ 1,370,704</u>	<u>\$ 3,249,426</u>

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Schedule of Tax Rates, Assessments and Taxes Receivable
June 30, 2015

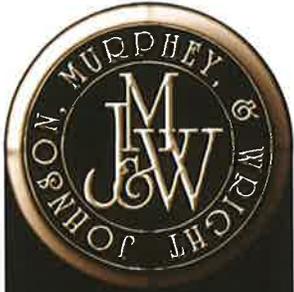
<u>Year of Levy</u>	<u>Special School District Tax Rate Per \$100 Assessment Plus Allotment</u>	<u>Marion County Allotment ADA Rate</u>	<u>Special School District Assessment</u>	<u>Marion County Assessment</u>	<u>Property Taxes Receivable</u>
2015	\$.1965	.0617%	\$ 13,028,633	\$ 663,034,784	\$ 295,000
2014	\$.1965	.0669%	\$ 12,929,803	\$ 658,005,189	7,644
2013	\$.1965	.0745%	\$ 12,767,391	\$ 649,741,158	-
2012	\$.1965	.0694%	\$ 12,688,335	\$ 645,716,775	-
2011	\$.19	.0649%	\$ 11,287,300	\$ 517,719,568	-
2010	\$.21	.0648%	\$ 8,523,810	\$ 424,382,716	-
2009	\$.21	.0708%	\$ 8,571,429	\$ 388,418,079	-
2008	\$.21	.0652%	\$ 9,857,143	\$ 480,061,350	-
2007	\$.21	.0652%	\$ 10,603,260	\$ 517,570,844	-
2006	\$.21	.0652%	\$ 9,823,948	\$ 474,494,865	-
					<u>302,644</u>
					<u>(-)</u>
					<u>\$ 302,644</u>

Less allowance for uncollectibles - see note below.

Marion County has periodic public sales of delinquent tax properties and all delinquent property taxes are eventually collected. Accordingly, there is no allowance for uncollectible taxes.

The Richard City-Deptford Schools receive the \$1.965 special school district taxes on property in the Richard City-Deptford School District, as well as a portion of the real property taxes for Marion County that is allotted to schools. The percentage they receive is adjusted based on school attendance.

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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

To the Board of Education
Richard City-Deptford School

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, the major fund, and the aggregate remaining fund information of Richard City-Deptford School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Richard City-Deptford School's basic financial statements and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richard City-Deptford School'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 Richard City-Deptford School's internal control. Accordingly, we do not express an opinion on the effectiveness of Richard City-Deptford School's internal control.

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

To the Board of Education
Richard City-Deptford School
Page Two

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard City-Deptford School's financial statements are free from 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 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 tests disclosed an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompany Schedule of Findings and Responses as item 2015-001.

Richard City-Deptford School's Response to Findings

Richard City-Deptford School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Richard City-Deptford School's response was not subjected to the auditing procedures applied the audit of the financial statements and, accordingly, we express no opinion on it.

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 *Governmental Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
October 30, 2015

Johnson, Murpley & Wright, P.C.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses
June 30, 2015

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:

None disclosed.

Material Noncompliance:

One instance of noncompliance or other matters was disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

COMPLIANCE:

Finding 2015-001 - Expenditures Exceeded Budget

Criteria:

Tennessee Code Annotated (TCA) Section 6-56-203 states that no municipality may expend any moneys regardless of their source ...except in accordance with a budget ordinance...

Condition:

Expenditures in the General Fund exceeded the amount budgeted by \$1,264,978.

Cause:

The School's budget was not amended to account for all expenditures. The School Bonds - Series 2000 was paid off but was not budgeted as an expenditure.

Effect:

Without following proper procedures, the School has failed to authorize all expenditures by the end of the fiscal year.

Management's Response:

We concur. We will make every effort in the future to provide for all expenditures in our budget.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Prior Audit Findings
June 30, 2015

INTERNAL CONTROLS

Finding 2014-001 - Approvals and Documentation
Corrected.

COMPLIANCE

Finding 2014-002 - Expenditures Exceeded Budget
Still in effect.