



**RINGGOLD SCHOOL DISTRICT**

NEW EAGLE, PENNSYLVANIA

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015



**Cypher & Cypher**

Accountants | Auditors | Advisors

RINGGOLD SCHOOL DISTRICT

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# Cypher & Cypher

Accountants | Auditors | Advisors

## Independent Auditor's Report

Ringgold School District  
New Eagle, Pennsylvania

Ladies and Gentlemen:

### **Report on the Financial Statements**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District'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 business-type activities, each major fund, and the aggregate remaining fund information of Ringgold School District as of June 30, 2015 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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 on Pages i through xi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ringgold School District's basic financial statements. The statement of changes in assets and liabilities – agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of Ringgold School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ringgold School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 25, 2015

# Management's Discussion & Analysis

**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The Management's Discussion and Analysis (MD&A) of Ringgold School District's financial performance provides an executive summary of the School District's financial activities for the fiscal year ended June 30, 2015. The purpose is to look at the School District's financial performance as a whole and to enhance the understanding of the School District's overall finances. It is recommended that one should also review the notes to the basic financial statements and the financial statements to accomplish this goal.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. The GASB Statement No. 34 is the biggest change in the history of public-sector accounting.

### **The Basic Structure of the Governmental Reporting Model**

- *Required Supplementary Information (RSI)*
  - \* Management's Discussion and Analysis (MD&A)
  
- *Basic Financial Statements (Audited)*
  - \* Government-Wide Financial Statements
    - Statement of Net Position
    - Statement of Activities
  
  - \* Fund Financial Statements
    - Governmental Fund Statements
    - Proprietary Fund Statements
    - Fiduciary Fund Statements
  
  - \* Notes to the Financial Statements
  
- *Other Required Supplementary Information (RSI)*

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements report information of the School District as a whole using private-sector accounting (accrual basis of accounting). The Statement of Net Position includes all the assets and liabilities of the government. All of the current year's revenues and expenses are accounted for in the Statement of Activities (whether or not it is received/paid).

The two Government-Wide Financial Statements report the School District's net position and their variances. Net position, which is the School District's assets plus deferred outflows of resources less liabilities plus deferred inflows of resources, is one way to measure the School District's financial position. Over time, increases or decreases in the School District's net position is an indication of an improving or deteriorating financial position.

To assess the overall financial health of the School District, consider also changes in the School District's property taxes and student performance.



**Ringgold School District  
Management's Discussion and Analysis  
June 30, 2015**

**Government-Wide Financial Statements (Cont'd)**

The Government-Wide Financial Statements of the School District are divided into two categories:

- **Governmental Activities:** All of the School District's basic services are included here, such as instruction, administration and community services which are financed by property taxes, state and federal subsidies and grants.
- **Business Type Activities:** These services are provided on a fee for goods or services basis to recover all or most of the expenses related to the activity. The School District's food service is reported here.

**Fund Financial Statements**

The School District's Fund Financial Statements provide detail about the most important funds and not the School District as a whole.

- **Governmental Funds**

Most of the School District's activities are reported in governmental funds, which show how cash flows in and out of funds and balances remaining at the end of the year that are available for future spending. These funds are accounted for by "modified accrual accounting", measuring cash and other assets that can be liquidated to cash. The Governmental Fund Statements provide a detailed short-term view of the School District's general government operations and its provision of basic services. Governmental fund information helps you determine if there are more or less financial resources available to spend in the near future. The difference and likeness of governmental activities (see the Statement of Net Position and Statement of Activities) and governmental funds are reconciled in the basic financial statements.

- **Proprietary Funds**

The Food Service Fund is the School District's proprietary fund and operates mainly from user charges and subsidies. The Retirement Obligations Fund accounts for funds accumulated to provide for payment of post retirement insurance benefits. These funds are used to account for School District activities similar to business operations in the private sector.

These funds use the accrual basis of accounting, the same as on the Government-Wide Financial Statements and therefore the statements will, for the most part, match the business type activities part of the Government-Wide Financial Statements.

- **Fiduciary Funds**

The School District is the trustee/fiduciary for the activity fund. All of these activities are reported in separate Statement of Fiduciary Net Position – Fiduciary Funds. The District also maintains a bond escrow fund to account for unclaimed bond proceeds that are due back to the bondholders. We exclude these activities from the School District's other financial statements because the assets cannot be used to finance its operations.

**Ringgold School District  
Management's Discussion and Analysis  
June 30, 2015**

**Statement of Net Position  
Year Ended June 30, 2015**

The Statement of Net Position provides an accounting picture of the School District as a whole. The following statement of Net Position includes a comparative analysis of the previous year's activities.

|  | Governmental Activities |                        | Business-Type Activities |                     | Total                |                        |
|--|-------------------------|------------------------|--------------------------|---------------------|----------------------|------------------------|
|  | 2014                    | 2015                   | 2014                     | 2015                | 2014                 | 2015                   |
| <b>ASSETS</b>  |                         |                        |                          |                     |                      |                        |
| Current Assets   | \$ 21,967,629           | \$ 40,831,776          | \$ 1,902,246             | \$ 2,067,465        | \$ 23,869,875        | \$ 42,899,241          |
| Non-Current Assets   | 44,099,977              | 45,761,853             | 254,121                  | 213,112             | 44,354,098           | 45,974,965             |
| Deferred Outflows  |                         | 3,542,887              |                          |                     |                      | 3,542,887              |
| <b>Total Assets and Deferred Outflows</b>                        | <b>\$ 66,067,606</b>    | <b>\$ 90,136,516</b>   | <b>\$ 2,156,367</b>      | <b>\$ 2,280,577</b> | <b>\$ 68,223,973</b> | <b>\$ 92,417,093</b>   |
| <b>LIABILITIES AND NET POSITION</b>                              |                         |                        |                          |                     |                      |                        |
| <b>Liabilities</b>   |                         |                        |                          |                     |                      |                        |
| Current Liabilities  | \$ 5,639,184            | \$ 5,586,188           | \$ 107,509               | \$ 98,930           | \$ 5,746,693         | \$ 5,685,118           |
| Long-Term Liabilities  | 38,156,038              | 104,988,974            | -                        | -                   | 38,156,038           | 104,988,974            |
| Deferred Inflows   |                         | 4,105,000              | 18,524                   | 18,580              | 18,524               | 4,123,580              |
| <b>Total Liabilities and Deferred Inflows</b>                    | <b>\$ 43,795,222</b>    | <b>\$ 114,680,162</b>  | <b>\$ 126,033</b>        | <b>\$ 117,510</b>   | <b>\$ 43,921,255</b> | <b>\$ 114,797,672</b>  |
| <b>Net Position</b>  |                         |                        |                          |                     |                      |                        |
| Invested in Capital Assets<br>(Net of Related Debt)              | \$ 7,625,539            | \$ 8,838,977           | \$ 254,121               | \$ 213,112          | \$ 7,879,660         | \$ 9,052,089           |
| Restricted for:  |                         |                        |                          |                     |                      |                        |
| Capital Projects   | 2,829,670               | 4,036,296              | -                        | -                   | 2,829,670            | 4,036,296              |
| Retirement Obligations   | -                       | -                      | 1,350,304                | 1,450,463           | 1,350,304            | 1,450,463              |
| Other Reserves   | 8,438,635               | 9,159,473              | -                        | -                   | 8,438,635            | 9,159,473              |
| Unrestricted   | 3,378,540               | (46,578,392)           | 444,433                  | 499,492             | 3,822,973            | (46,078,900)           |
| <b>Total Net Position</b>  | <b>\$ 22,272,384</b>    | <b>\$ (24,543,646)</b> | <b>\$ 2,048,858</b>      | <b>\$ 2,163,067</b> | <b>\$ 24,321,242</b> | <b>\$ (22,380,579)</b> |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS, AND NET POSITION</b> | <b>\$ 66,067,606</b>    | <b>\$ 90,136,516</b>   | <b>\$ 2,174,891</b>      | <b>\$ 2,280,577</b> | <b>\$ 68,242,497</b> | <b>\$ 92,417,093</b>   |

**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Changes in Net Position**  
**Year Ended June 30, 2015**

The Statement of Changes in Net Position below shows if net position has increased or decreased over the year. The School District's assets have increased over the year.

|   | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|   | 2014                    | 2015                 | 2014                     | 2015                | 2014                 | 2015                 |
| <b>REVENUES</b>                         |                         |                      |                          |                     |                      |                      |
| <b>Program Revenues</b>                 |                         |                      |                          |                     |                      |                      |
| Charges for Services                    | \$ 68,557               | \$ 255,894           | \$ 424,644               | \$ 367,436          | \$ 493,201           | \$ 623,330           |
| Operating Grants & Contributions        | 7,494,034               | 8,129,051            | 1,039,834                | 1,210,226           | 8,533,868            | 9,339,277            |
| <b>Total Program Revenues</b>           | <b>\$7,562,591</b>      | <b>\$8,384,945</b>   | <b>\$1,464,478</b>       | <b>\$1,577,662</b>  | <b>\$ 9,027,069</b>  | <b>\$ 9,962,607</b>  |
| <b>General Revenues</b>                 |                         |                      |                          |                     |                      |                      |
| Property Taxes, General Purposes (net)  | \$ 15,001,240           | \$ 15,519,764        | -                        | -                   | \$ 15,001,240        | \$ 15,519,764        |
| Other Taxes, General Purposes (net)     | 4,276,714               | 4,502,201            | -                        | -                   | 4,276,714            | 4,502,201            |
| Grants, Subsidies, & Contributions (NR) | 13,584,716              | 13,576,909           | -                        | -                   | 13,584,716           | 13,576,909           |
| Other                                   | 8,124                   | 89,560               | 100,107                  | 132,974             | 108,231              | 222,534              |
| <b>Total General Revenues</b>           | <b>32,870,794</b>       | <b>33,688,434</b>    | <b>100,107</b>           | <b>132,974</b>      | <b>32,970,901</b>    | <b>33,821,408</b>    |
| <b>Total Revenues</b>                   | <b>\$40,433,385</b>     | <b>\$42,073,379</b>  | <b>\$1,564,585</b>       | <b>\$1,710,636</b>  | <b>\$41,997,970</b>  | <b>\$43,784,015</b>  |
| <b>EXPENSES</b>                         |                         |                      |                          |                     |                      |                      |
| <b>Program Expenses</b>                 |                         |                      |                          |                     |                      |                      |
| Instruction                             | \$ 21,752,483           | \$ 21,587,169        | -                        | -                   | \$ 21,752,483        | \$ 21,587,169        |
| Instructional Student Support           | 1,886,077               | 1,856,533            | -                        | -                   | 1,886,077            | 1,856,533            |
| Admin. and Financial Support Svcs.      | 3,544,912               | 3,967,915            | -                        | -                   | 3,544,912            | 3,967,915            |
| Operation and Maint. of Plant Services  | 4,511,404               | 4,206,432            | -                        | -                   | 4,511,404            | 4,206,432            |
| Pupil Transportation                    | 2,996,827               | 2,928,572            | -                        | -                   | 2,996,827            | 2,928,572            |
| Student Activities                      | 789,285                 | 794,640              | -                        | -                   | 789,285              | 794,640              |
| Community Services                      | 18,567                  | 22,529               | -                        | -                   | 18,567               | 22,529               |
| Debt Services                           | 1,554,863               | 1,418,567            | -                        | -                   | 1,554,863            | 1,418,567            |
| Unallocated Deprecation Expense         | 521,037                 | 569,052              | -                        | -                   | 521,037              | 569,052              |
| Food Services                           | -                       | -                    | 1,547,926                | 1,596,427           | 1,547,926            | 1,596,427            |
| <b>Total Expenses</b>                   | <b>\$ 37,575,455</b>    | <b>\$ 37,351,409</b> | <b>\$ 1,547,926</b>      | <b>\$ 1,596,427</b> | <b>\$ 39,123,381</b> | <b>\$ 38,947,836</b> |
| <b>CHANGES IN NET POSITION</b>          | <b>\$2,857,930</b>      | <b>\$4,721,970</b>   | <b>\$16,659</b>          | <b>\$114,209</b>    | <b>\$2,874,589</b>   | <b>\$4,836,179</b>   |

**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Governmental Activities**  
**Year Ended June 30, 2015**

The Statement of Activities shows program service expenses and charges for services and grants offsetting the same services. The table below reflects cost of program services and the net cost of those services after considering the program revenues for the governmental activities. General revenues including tax revenue, investment income and unrestricted state entitlements must support the net cost of the School District's programs.

|  | Total Cost of Services |                      | Program Revenues    |                      | Net Cost of Services |                      |
|--|------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
|  | 2014                   | 2015                 | 2014                | 2015                 | 2014                 | 2015                 |
| <b>FUNCTIONS AND PROGRAMS</b>                            |                        |                      |                     |                      |                      |                      |
| <b>Programs</b>  |                        |                      |                     |                      |                      |                      |
| Instruction  | \$ 21,752,483          | \$ 21,587,169        | \$ 4,811,680        | \$ 5,226,957         | \$ 16,940,803        | \$ 16,360,212        |
| Instructional Student Support                            | 1,886,077              | 1,856,533            | 279,427             | 329,555              | 1,606,650            | 1,526,978            |
| Admin. And Financial Support Svcs.                       | 3,544,912              | 3,967,915            | 225,559             | 305,902              | 3,319,353            | 3,662,013            |
| Operation and Maint. Of Plant Svcs.                      | 4,511,404              | 4,206,432            | 199,559             | 467,773              | 4,311,845            | 3,738,659            |
| Pupil Transportation                                     | 2,996,827              | 2,928,572            | 1,855,225           | 1,736,689            | 1,141,602            | 1,191,883            |
| Student Activities                                       | 789,285                | 794,640              | 84,987              | 115,652              | 704,298              | 678,988              |
| Community Services                                       | 18,567                 | 22,529               | 5,770               | 8,947                | 12,797               | 13,582               |
| Debt Services (Principal & Interest)                     | 3,242,151              | 3,246,700            | 1,787,672           | 2,021,603            | 1,454,479            | 1,225,097            |
| <b>Total Governmental Activities</b>                     | <b>\$ 38,741,706</b>   | <b>\$ 38,610,490</b> | <b>\$ 9,249,879</b> | <b>\$ 10,213,078</b> | <b>\$ 29,491,827</b> | <b>\$ 28,397,412</b> |
| <b>LESS</b>  |                        |                      |                     |                      |                      |                      |
| Unrestricted Grants, Subsidies, and Contributions        |                        |                      |                     |                      | \$ (13,584,716)      | \$ (13,576,909)      |
| <b>TOTAL NEEDS FROM LOCAL TAXES &amp; OTHER REVENUES</b> |                        |                      |                     |                      | <b>\$ 15,907,111</b> | <b>\$ 14,820,503</b> |

**Ringgold School District  
Management's Discussion and Analysis  
June 30, 2015**

**Business-Type Activities  
Year Ended June 30, 2015**

The total change in net position for the food service fund was \$14,050.

|  | Total Cost of Services | Program Revenues | Net Cost of Services |
|--|------------------------|------------------|----------------------|
| <b>FUNCTIONS &amp; PROGRAMS</b>                |                        |                  |                      |
| Programs                                       |                        |                  |                      |
| Food Service                                   | \$ 1,596,427           | \$ 1,588,718     | \$ (7,709)           |
| LESS   |                        |                  |                      |
| Interest Income                                |                        |                  | -                    |
| Transfer                                       |                        |                  | 21,759               |
|  |                        |                  | 21,759               |
| Total General Revenues & Transfers             |                        |                  | 21,759               |
| <b>TOTAL CHANGES IN NET POSITION</b>           |                        |                  | <b>\$ 14,050</b>     |
| <b>NET POSITION - BEGINNING OF FISCAL YEAR</b> |                        |                  | 698,554              |
| Prior Year Adjustment                          |                        |                  | -                    |
|  |                        |                  | -                    |
| <b>NET POSITION - END OF FISCAL YEAR</b>       |                        |                  | <b>\$ 712,604</b>    |

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

|                                 | June 30, 2014        | Increase (Decrease)  | June 30, 2015        |
|---------------------------------|----------------------|----------------------|----------------------|
| GENERAL FUND                    | \$ 4,325,111         | \$ 55,001            | \$ 4,380,112         |
| DEBT SERVICE FUND               | 8,438,635            | 720,838              | 9,159,473            |
| CONSTRUCTION FUND               | 3,113,731            | 18,150,089           | 21,263,820           |
| COMMITTED INTERNAL SERVICE FUND | 1,350,304            | 100,159              | 1,450,463            |
| CAFETERIA FUND                  | 698,554              | 14,050               | 712,604              |
| <b>TOTAL</b>                    | <b>\$ 17,926,335</b> | <b>\$ 19,040,137</b> | <b>\$ 36,966,472</b> |

**OUTSTANDING DEBT**

The outstanding debt was increased by \$17,712,936.

|                           | June 30, 2014        | Increase (Decrease)  | June 30, 2015        |
|---------------------------|----------------------|----------------------|----------------------|
| General Obligation Bonds  | \$ -                 | \$ -                 | \$ -                 |
| Capital Improvement Bonds | 36,758,499           | 17,391,901           | 54,150,400           |
| Leases Payable            |                      | -                    |                      |
| Retirement Obligations    | 1,397,539            | 321,035              | 1,718,574            |
| <b>Total</b>              | <b>\$ 38,156,038</b> | <b>\$ 17,712,936</b> | <b>\$ 55,868,974</b> |

**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The table below compares the School District's original budget to actual expenditures and shows whether we were over or under the original budgeted amount.

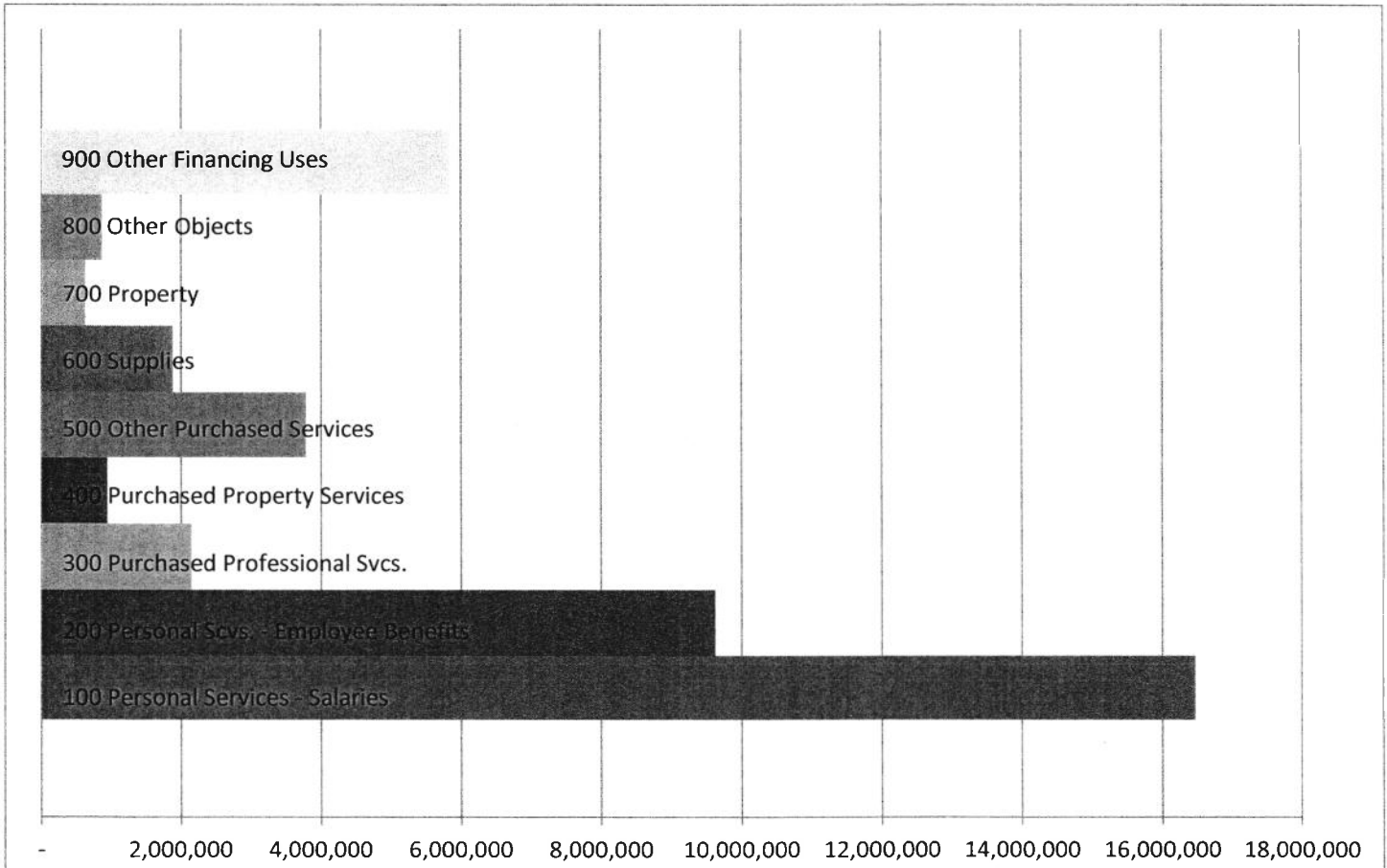
| MAJOR FUNCTION LEVEL                   | Original Budget      | Actual Expenditures  | (Over) & Under Budget |
|--|----------------------|----------------------|-----------------------|
| <b>1000 INSTRUCTION</b>                |                      |                      |                       |
| 1100 Regular Programs                  | \$ 15,753,468        | \$ 15,628,535        | \$ 124,933            |
| 1200 Special and Gifted Education      | 4,825,955            | 4,684,732            | 141,223               |
| 1300 Vocational Education              | 1,289,378            | 1,108,121            | 181,257               |
| 1400 Other Instruction Programs        | 653,578              | 488,812              | 164,766               |
| 1500 Non-Public School Programs        | -                    | 18,584               | (18,584)              |
| <b>TOTAL 1000 FUNCTION</b>             | <b>22,522,379</b>    | <b>21,928,784</b>    | <b>593,595</b>        |
| <b>2000 SUPPORT SERVICES</b>           |                      |                      |                       |
| 2100 Pupil Personnel                   | \$ 1,112,554         | \$ 1,047,731         | \$ 64,823             |
| 2200 Instructional Staff               | 650,002              | 593,636              | 56,366                |
| 2300 Administration                    | 2,670,062            | 2,505,903            | 164,159               |
| 2400 Pupil Health                      | 363,202              | 302,707              | 60,495                |
| 2500 Business                          | 643,462              | 610,871              | 32,591                |
| 2600 Operation and Maint. Plant        | 4,380,032            | 4,494,202            | (114,170)             |
| 2700 Student Transportation            | 2,881,074            | 2,774,921            | 106,153               |
| 2800 Central                           | 530,245              | 510,861              | 19,384                |
| 2900 Other Support Services            | 35,000               | 31,486               | 3,514                 |
| <b>TOTAL 2000 FUNCTION</b>             | <b>\$ 13,265,633</b> | <b>\$ 12,872,318</b> | <b>\$ 393,315</b>     |
| <b>3000 NON-INSTRUCTIONAL SERVICES</b> |                      |                      |                       |
| 3200 Student Activities                | \$ 803,765           | \$ 790,001           | \$ 13,764             |
| 3300 Community Services                | 13,000               | 22,529               | (9,529)               |
| <b>TOTAL 3000 FUNCTION</b>             | <b>\$ 816,765</b>    | <b>\$ 812,530</b>    | <b>\$ 4,235</b>       |
| <b>4000 NON-INSTRUCTIONAL SERVICES</b> |                      |                      |                       |
| 4100 Site Acq & Improv                 | \$ -                 | \$ -                 | \$ -                  |
| 4600 Community Services                | -                    | -                    | -                     |
| <b>TOTAL 4000 FUNCTION</b>             | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>           |
| <b>5000 OTHER FINANCING USES</b>       |                      |                      |                       |
| 5100 Debt Service                      | \$ 3,605,000         | \$ 3,246,700         | \$ 358,300            |
| 5200 Fund Transfers                    | 750,000              | 3,371,759            | (2,621,759)           |
| 5900 Budgetary Reserve                 | -                    | -                    | -                     |
| <b>TOTAL 5000 FUNCTION</b>             | <b>\$ 4,355,000</b>  | <b>\$ 6,618,459</b>  | <b>\$ (2,263,459)</b> |
| <b>GENERAL FUND TOTALS</b>             | <b>\$ 40,959,777</b> | <b>\$ 42,232,091</b> | <b>\$ (1,272,314)</b> |

**Ringgold School District  
Management's Discussion and Analysis  
June 30, 2015**

The table below compares the School District's original budget to actual expenditures at the object level and shows whether we were over or under the original budgeted amount.

| EXPENDITURES BY OBJECT                 | Original Budget   | Actual Expenditures | (Over) & Under Budget |
|--|-------------------|---------------------|-----------------------|
| 100 Personal Services - Salaries       | \$ 16,968,402     | \$ 16,477,327       | \$ 491,075            |
| 200 Personal Scvs. - Employee Benefits | 10,604,477        | 9,626,069           | 978,408               |
| 300 Purchased Professional Svcs.       | 1,732,455         | 2,153,347           | (420,892)             |
| 400 Purchased Property Services        | 918,470           | 954,073             | (35,603)              |
| 500 Other Purchased Services           | 4,039,164         | 3,786,937           | 252,227               |
| 600 Supplies                           | 1,903,424         | 1,888,326           | 15,098                |
| 700 Property                           | 336,410           | 632,982             | (296,572)             |
| 800 Other Objects                      | 1,136,975         | 874,746             | 262,229               |
| 900 Other Financing Uses               | 3,320,000         | 5,838,284           | (2,518,284)           |
|  | <u>40,959,777</u> | <u>42,232,091</u>   | <u>\$ (1,272,314)</u> |

As the graph below illustrates, the largest portions of general fund (Actual) expenditures are for salaries and fringe benefits. The School District is a service entity and is labor intensive.

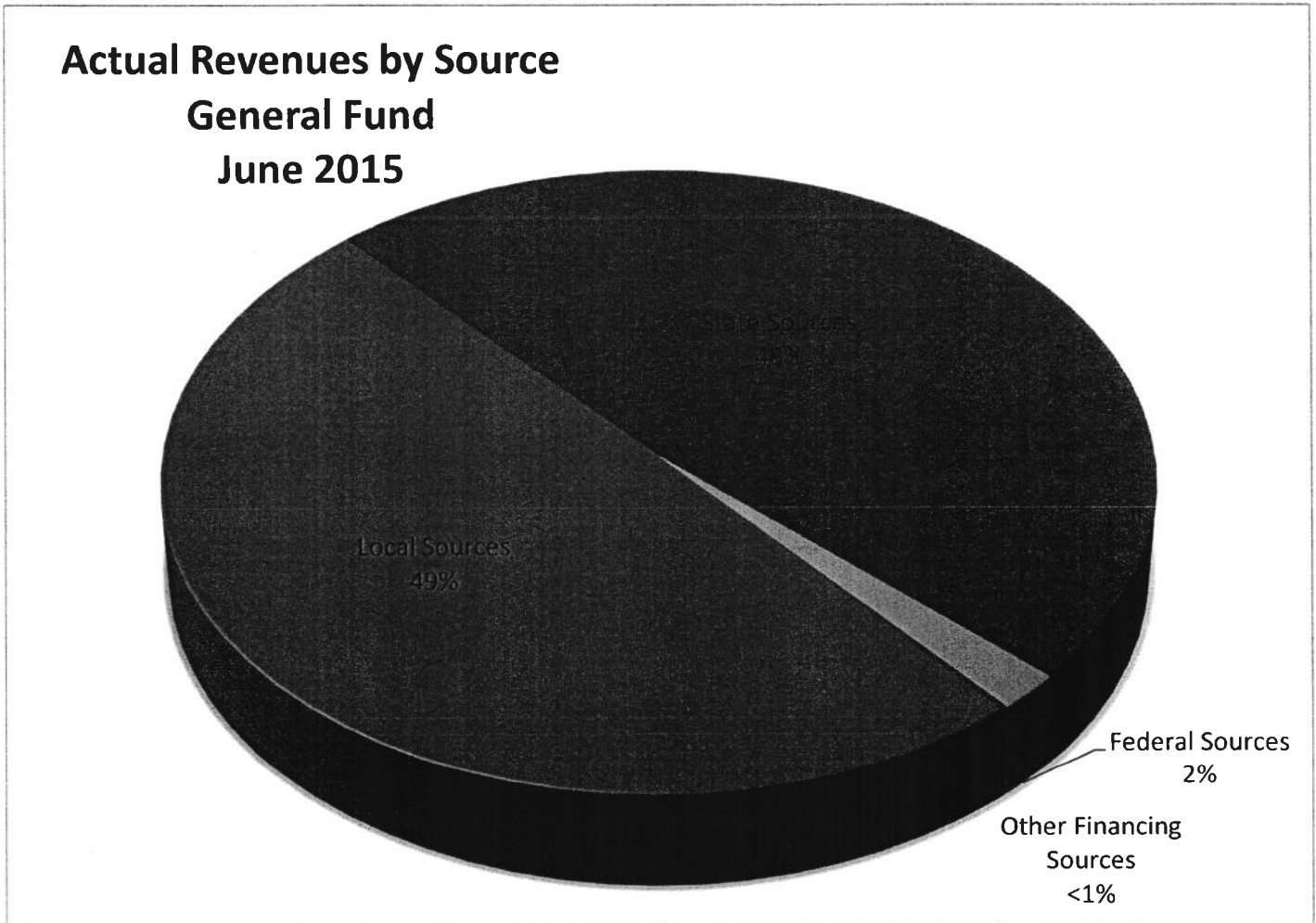


**Ringgold School District  
Management's Discussion and Analysis  
June 30, 2015**

The table below compares the School District's original budget to actual revenues and shows whether they were over on under budget.

|                         | Original Budget      | Actual Revenues      | (Over) & Under Budget |
|-------------------------|----------------------|----------------------|-----------------------|
| <b>REVENUES</b>         |                      |                      |                       |
| Local Sources           | \$ 19,658,621        | \$ 20,923,678        | \$ (1,265,057)        |
| State Sources           | 20,303,596           | 20,461,016           | (157,420)             |
| Federal Sources         | 897,560              | 804,686              | 92,874                |
| Other Financing Sources | 100,000              | 97,712               | 2,288                 |
| <b>TOTAL REVENUES</b>   | <b>\$ 40,959,777</b> | <b>\$ 42,287,092</b> | <b>\$ (1,327,315)</b> |

As the pie graph below illustrates, the largest portion of general fund revenues are from local and state sources.





**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

The variance analysis below compares actual (2013-2014) expenditures to actual (2014-2015) expenditures for the General Fund and depicts if they have increased or decreased over the years.

| GENERAL FUND INFORMATION               | Actual                      | Actual                      | Variance Favorable           |
|--|-----------------------------|-----------------------------|------------------------------|
| EXPENDITURES BY OBJECT                 | 2013-2014                   | 2014-2015                   | (Unfavorable)                |
| 100 Personal Services - Salaries       | \$ 16,047,856               | \$ 16,477,327               | \$ (429,471)                 |
| 200 Personal Svcs. - Employee Benefits | 8,861,337                   | 9,626,069                   | (764,732)                    |
| 300 Purchased Professional Svcs.       | 1,736,597                   | 2,153,347                   | (416,750)                    |
| 400 Purchased Property Services        | 921,436                     | 954,073                     | (32,637)                     |
| 500 Other Purchased Services           | 3,877,267                   | 3,786,937                   | 90,330                       |
| 600 Supplies                           | 2,034,943                   | 1,888,326                   | 146,617                      |
| 700 Property                           | 728,048                     | 632,982                     | 95,066                       |
| 800 Other Objects                      | 1,149,284                   | 874,746                     | 274,538                      |
| 900 Other Financing Uses               | 5,237,517                   | 5,838,284                   | (600,767)                    |
| TOTAL EXPENDITURES BY OBJECT           | <u>\$ 40,594,285</u>        | <u>\$ 42,232,091</u>        | <u>\$ (1,637,806)</u>        |
| <b>MAJOR FUNCTION LEVEL</b>            |                             |                             |                              |
| <b>1000 INSTRUCTION</b>                |                             |                             |                              |
| 1100 Regular Programs                  | \$ 14,749,597               | \$ 15,628,535               | \$ (878,938)                 |
| 1200 Special and Gifted Education      | 4,561,054                   | 4,684,732                   | (123,678)                    |
| 1300 Vocational Education              | 1,291,449                   | 1,108,121                   | 183,328                      |
| 1400 Other Instruction Programs        | 445,998                     | 488,812                     | (42,814)                     |
| 1500 Non-Public School Programs        | 18,084                      | 18,584                      | (500)                        |
| TOTAL 1000 FUNCTION                    | <u>\$ 21,066,182</u>        | <u>\$ 21,928,784</u>        | <u>\$ (862,602)</u>          |
| <b>2000 INSTRUCTION</b>                |                             |                             |                              |
| 2100 Pupil Personnel                   | \$ 955,952                  | \$ 1,047,731                | \$ (91,779)                  |
| 2200 Instructional Staff               | 575,968                     | 593,636                     | (17,668)                     |
| 2300 Administration                    | 2,423,954                   | 2,505,903                   | (81,949)                     |
| 2400 Pupil Health                      | 354,102                     | 302,707                     | 51,395                       |
| 2500 Business                          | 577,239                     | 610,871                     | (33,632)                     |
| 2600 Operation and Maint. Plant        | 4,267,566                   | 4,494,202                   | (226,636)                    |
| 2700 Student Transportation            | 2,814,593                   | 2,774,921                   | 39,672                       |
| 2800 Central                           | 439,020                     | 510,861                     | (71,841)                     |
| 2900 Other Support Services            | 32,234                      | 31,486                      | 748                          |
| TOTAL 2000 FUNCTION                    | <u>\$ 12,440,628</u>        | <u>\$ 12,872,318</u>        | <u>\$ (431,690)</u>          |
| <b>3000 NON-INSTRUCTIONAL SERVICES</b> |                             |                             |                              |
| 3200 Student Activities                | \$ 775,712                  | \$ 790,001                  | \$ (14,289)                  |
| 3300 Community Services                | 18,567                      | 22,529                      | (3,962)                      |
| TOTAL 3000 FUNCTION                    | <u>\$ 794,279</u>           | <u>\$ 812,530</u>           | <u>\$ (18,251)</u>           |
| <b>4000 NON-INSTRUCTIONAL SERVICES</b> |                             |                             |                              |
| 4100 Site Acq & Improv                 | \$ 1,045                    | \$ -                        | \$ 1,045                     |
| 4600 Community Services                | -                           | -                           | -                            |
| TOTAL 4000 FUNCTION                    | <u>\$ 1,045</u>             | <u>\$ -</u>                 | <u>\$ 1,045</u>              |
| <b>5000 OTHER FINANCING USES</b>       |                             |                             |                              |
| 5100 Debt Service                      | \$ 3,242,151                | \$ 3,246,700                | \$ (4,549)                   |
| 5200 Fund Transfers                    | 3,050,000                   | 3,371,759                   | (321,759)                    |
| 5900 Budgetary Reserve                 | -                           | -                           | -                            |
| TOTAL 5000 FUNCTION                    | <u>\$ 6,292,151</u>         | <u>\$ 6,618,459</u>         | <u>\$ (326,308)</u>          |
| <b>GENERAL FUND TOTALS</b>             | <u><b>\$ 40,594,285</b></u> | <u><b>\$ 42,232,091</b></u> | <u><b>\$ (1,637,806)</b></u> |

**Ringgold School District**  
**Management's Discussion and Analysis**  
**June 30, 2015**

During the 2014-2015 school year, Ringgold School District implemented the newly aligned Common Core curriculum under the guidance of the Director of Curriculum, Mrs. Lenni Nedley. Additionally, Literacy Coaches were employed at Ringgold Elementary School North (RESN), Ringgold Elementary School South (RESS), and Ringgold Middle School (RMS). These coaches received training through the Pennsylvania Literacy Network and will be providing professional development to the staff in those buildings.

The District administered the Accountability Block Grant which supported Full Day Kindergarten teachers and the Literacy Coaches. The decision was made to continue supporting early education because the district realizes the importance of a good foundation. In the future, the district plans to implement a district wide Pre-K program.

In support of 21<sup>st</sup> century technology skill acquisition, a greater emphasis was placed on the teaching of science and technology at all levels. The District continues to support middle school STEM classes in grades 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup>. Furthermore, an emphasis on scientific reasoning, hands on learning, and career relevance were stressed at all levels. Additionally, each ninth grade student received a Chromebook to initiate a one to one technology program. The program will continue with new ninth grade students receiving Chromebooks each year.

As per the state of Pennsylvania, the Ringgold School District participates in state wide standardized testing. For this year, the state of Pennsylvania petitioned the Federal government for a waiver for the Pennsylvania School Profile scores for elementary and middle school. As a result only Ringgold High School (RHS) received a Pennsylvania School Profile score. Ringgold High School's score was 78.1, which is an improvement of 8.1 points.

The Ringgold School District implemented strategies to meet the increased requirements for improving school achievement. For the 2014-15 school year, diagnostic testing was emphasized at the High School level in order to provide data for improving teacher instruction and class assessments. In comparison, K-8 students experienced a greater emphasis upon formative assessment. In conjunction with assessments, teachers initiated project based learning at all levels to make lessons more relevant.

Finally, the District continues to develop Cyber courses at the High School and Middle School levels. Through the purchase of curriculum and site licenses from Edgenuity, the high school and middle school teachers customized the courses to meet our needs. These courses were used in the RAMS (alternative education) programs at both the Middle and High School. Students at these levels were also offered the Cyber option to complete as credit recovery or to take a new class not offered in the traditional curriculum.

During the 2014-2015 school year Ringgold School District continued to invest in building programs throughout the District. In the summer/fall 2014 a project costing approximately \$2 million dollars was completed at RHS. The project included replacement of the HVAC control system, all exterior doors and main lobby restroom restorations. Through completion of the project the District achieved efficiencies. The District was able to complete the project without borrowing funds.

In late spring 2015 a \$9.9 million dollar addition/renovation project began at RESN. The project consists of the addition of six classrooms, a new cooking/kitchen area and renovations to the existing building to include, but not limited to, a new heating and air conditioning system, new windows, new floor tile and painting. The District issued a new bond to fund the RESN project. The District also continued with the planning of a new middle school at the high school site. The project is still in the schematic design phase with an estimated bid date of February 2016 and completion of summer 2017.

During the 2014-2015 school year the District had two bond refundings and two new money bond issues. The refundings saved the District over \$1.3 million dollars. The new bond issues were for the new middle school project and \$9.9 million for the RESN project.

# Basic Financial Statements

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>   |                            |                             |                      |
| Cash and Cash Equivalents   | \$ 11,397,224              | \$ 352,711                  | \$ 11,749,935        |
| Investments   | 27,776,528                 | 1,350,463                   | 29,126,991           |
| Taxes Receivable (Net)  | 1,182,489                  |                             | 1,182,489            |
| Internal Balances   | (318,181)                  | 318,181                     |                      |
| Due from Other Governments  | 737,946                    | 27,530                      | 765,476              |
| Other Receivables   | 55,770                     |                             | 55,770               |
| Inventories   |                            | 18,580                      | 18,580               |
| Long Term Receivables   | 4,427,556                  |                             | 4,427,556            |
| Investment in Joint Venture   | 2,085,585                  |                             | 2,085,585            |
| Capital Assets (net)  | 39,248,712                 | 213,112                     | 39,461,824           |
| <b>TOTAL ASSETS</b>   | <b>86,593,629</b>          | <b>2,280,577</b>            | <b>88,874,206</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                            |                             |                      |
| Pension Related   | 3,267,391                  |                             | 3,267,391            |
| Deferred Refunding Loss   | 275,496                    |                             | 275,496              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>3,542,887</b>           |                             | <b>3,542,887</b>     |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 90,136,516</b>       | <b>\$ 2,280,577</b>         | <b>\$ 92,417,093</b> |
| <b>LIABILITIES</b>  |                            |                             |                      |
| Intergovernmental Payables  | \$ 251,984                 | \$                          | \$ 251,984           |
| Accounts Payable  | 2,135,309                  | 88,102                      | 2,223,411            |
| Accrued Salaries and Benefits   | 1,610,059                  |                             | 1,610,059            |
| Payroll Deductions and Withholdings                                       | 1,055,363                  |                             | 1,055,363            |
| Interest Payable  | 482,817                    |                             | 482,817              |
| Other Current Liabilities   | 50,656                     | 10,828                      | 61,484               |
| Long-Term Liabilities:  |                            |                             |                      |
| Portions Due or Payable Within One Year:                                  |                            |                             |                      |
| Bonds Payable - Net of Related Premiums/Discounts                         | 2,489,126                  |                             | 2,489,126            |
| Portions Due or Payable After One Year:                                   |                            |                             |                      |
| Bonds Payable - Net of Related Premiums/Discounts                         | 51,661,274                 |                             | 51,661,274           |
| Pension Liability   | 49,120,000                 |                             | 49,120,000           |
| Long-term Portion of Compensated Absences                                 | 700,099                    |                             | 700,099              |
| OPEB Obligation   | 1,018,475                  |                             | 1,018,475            |
| <b>Total Liabilities</b>  | <b>110,575,162</b>         | <b>98,930</b>               | <b>110,674,092</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                            |                             |                      |
| Pension Related   | 4,105,000                  |                             | 4,105,000            |
| Unearned Revenue  |                            | 18,580                      | 18,580               |
| <b>Total Deferred Inflows of Resources</b>                                | <b>4,105,000</b>           | <b>18,580</b>               | <b>4,123,580</b>     |
| <b>NET POSITION</b>   |                            |                             |                      |
| Net Investment in Capital Assets  | 8,838,977                  | 213,112                     | 9,052,089            |
| Restricted for:   |                            |                             |                      |
| Capital Projects  | 4,036,296                  |                             | 4,036,296            |
| Self Insured Retirement Obligations                                       |                            | 1,450,463                   | 1,450,463            |
| Other Reserves  | 9,159,473                  |                             | 9,159,473            |
| Unrestricted  | (46,578,392)               | 499,492                     | (46,078,900)         |
| <b>TOTAL NET POSITION</b>   | <b>(24,543,646)</b>        | <b>2,163,067</b>            | <b>(22,380,579)</b>  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 90,136,516</b>       | <b>\$ 2,280,577</b>         | <b>\$ 92,417,093</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Program Revenues     |                         |  | Net (Expense) Revenue<br>and Changes in Net Position |                             | Total                  |
|--|----------------------|-------------------------|--|--|-----------------------------|------------------------|
|  | Expenses             | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities |                        |
| <b>Governmental Activities</b>   |                      |                         |  |  |                             |                        |
| Depreciation - Unallocated   | \$ 569,052           |                         |  | \$ (569,052)   |                             | \$ (569,052)           |
| Instruction  | 21,587,169           | 8,803                   | 5,218,154                                | (16,360,212)   |                             | (16,360,212)           |
| Instructional Student Support  | 1,856,533            |                         | 329,555                                  | (1,526,978)  |                             | (1,526,978)            |
| Administrative and Financial Support   | 3,967,915            |                         | 305,902                                  | (3,662,013)  |                             | (3,662,013)            |
| Operation and Maintenance of Plant   | 4,206,432            | 201,580                 | 266,193                                  | (3,738,659)  |                             | (3,738,659)            |
| Pupil Transportation   | 2,928,572            |                         | 1,736,689                                | (1,191,883)  |                             | (1,191,883)            |
| Student Activities   | 794,640              | 45,511                  | 70,141                                   | (678,988)  |                             | (678,988)              |
| Community Services   | 22,529               |                         | 8,947                                    | (13,582)   |                             | (13,582)               |
| Interest on Long-Term Debt   | 1,418,567            |                         | 193,470                                  | (1,225,097)  |                             | (1,225,097)            |
| <b>Total Governmental Activities</b>   | <b>37,351,409</b>    | <b>255,894</b>          | <b>8,129,051</b>                         | <b>(28,966,464)</b>                                  |                             | <b>(28,966,464)</b>    |
| <b>Business Type Activities</b>  |                      |                         |  |  |                             |                        |
| Food Service   | 1,596,427            | 367,436                 | 1,210,226                                |  | (18,765)                    | (18,765)               |
| Retirement Obligations   |                      |                         |  |  |                             |                        |
| <b>Total Business Type Activities</b>  | <b>1,596,427</b>     | <b>367,436</b>          | <b>1,210,226</b>                         |  | <b>(18,765)</b>             | <b>(18,765)</b>        |
| <b>Total Government</b>  | <b>\$ 38,947,836</b> | <b>\$ 623,330</b>       | <b>\$ 9,339,277</b>                      | <b>\$ (28,966,464)</b>                               | <b>\$ (18,765)</b>          | <b>\$ (28,985,229)</b> |
| <b>General Revenues, Special and Extraordinary Items and Transfers</b>       |                      |                         |  |  |                             |                        |
| Taxes  |                      |                         |  |  |                             |                        |
| Property Taxes   |                      |                         |  | 15,519,764   |                             | 15,519,764             |
| Other Taxes  |                      |                         |  | 4,502,201  |                             | 4,502,201              |
| Grants, Subsidies and Contributions, Unrestricted                            |                      |                         |  | 13,576,909   |                             | 13,576,909             |
| Investment Earnings  |                      |                         |  | 18,851   | 159                         | 19,010                 |
| Miscellaneous Income   |                      |                         |  | 192,468  | 11,056                      | 203,524                |
| Transfers Between Governmental and Business Type Activities                  |                      |                         |  | (121,759)  | 121,759                     |                        |
| <b>Total General Revenues, Special and Extraordinary Items and Transfers</b> |                      |                         |  | <b>33,688,434</b>                                    | <b>132,974</b>              | <b>33,821,408</b>      |
| <b>Change in Net Position</b>  |                      |                         |  | <b>4,721,970</b>                                     | <b>114,209</b>              | <b>4,836,179</b>       |
| <b>Net Position - Beginning - Restated</b>                                   |                      |                         |  | <b>(29,265,616)</b>                                  | <b>2,048,858</b>            | <b>(27,216,758)</b>    |
| <b>Net Position - Ending</b>   |                      |                         |  | <b>\$ (24,543,646)</b>                               | <b>\$ 2,163,067</b>         | <b>\$ (22,380,579)</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  | Governmental Funds   |                     |                      | Totals               |
|--|----------------------|---------------------|----------------------|----------------------|
|  | General Fund         | Debt Service Fund   | Construction Fund    |                      |
| <b>ASSETS</b>  |                      |                     |                      |                      |
| Cash and Cash equivalents  | \$ 10,014,065        | \$                  | \$ 1,383,159         | \$ 11,397,224        |
| Investments (At Fair Value)  | 811,660              | 9,159,473           | 17,805,395           | 27,776,528           |
| Taxes Receivable (Net)   | 257,489              |                     |                      | 257,489              |
| Due From Other Funds   | 4,934                |                     | 2,500,000            | 2,504,934            |
| Intergovernmental Receivables  | 737,946              |                     |                      | 737,946              |
| Other Receivables (Net)  | 55,488               |                     |                      | 55,488               |
| TOTAL ASSETS   | <u>\$ 11,881,582</u> | <u>\$ 9,159,473</u> | <u>\$ 21,688,554</u> | <u>\$ 42,729,609</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                      |                     |                      |                      |
| Liabilities:   |                      |                     |                      |                      |
| Due to Other Funds   | \$ 2,818,181         | \$                  | \$ 4,652             | \$ 2,822,833         |
| Intergovernmental Payables   | 251,984              |                     |                      | 251,984              |
| Accounts Payable   | 1,715,227            |                     | 420,082              | 2,135,309            |
| Accrued Salaries and Benefits  | 1,610,059            |                     |                      | 1,610,059            |
| Payroll Deductions and Withholdings  | 1,055,363            |                     |                      | 1,055,363            |
| Other Current Liabilities  | 50,656               |                     |                      | 50,656               |
| Total Liabilities  | <u>7,501,470</u>     |                     | <u>424,734</u>       | <u>7,926,204</u>     |
| Deferred Inflows of Resources:   |                      |                     |                      |                      |
| Unearned Revenue   | -                    |                     |                      | -                    |
| Total Deferred Inflows of Resources  | <u>-</u>             |                     |                      | <u>-</u>             |
| Fund Balances:   |                      |                     |                      |                      |
| Committed to:  |                      |                     |                      |                      |
| Debt Service   |                      | 9,159,473           |                      | 9,159,473            |
| Capital Projects   |                      |                     | 21,263,820           | 21,263,820           |
| Assigned to:   |                      |                     |                      |                      |
| Athletics  | 269,446              |                     |                      | 269,446              |
| 15/16 PSERS  | 2,178,740            |                     |                      | 2,178,740            |
| Unassigned:  | 1,931,926            |                     |                      | 1,931,926            |
| Total Fund Balances  | <u>4,380,112</u>     | <u>9,159,473</u>    | <u>21,263,820</u>    | <u>34,803,405</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <u>\$ 11,881,582</u> | <u>\$ 9,159,473</u> | <u>\$ 21,688,554</u> | <u>\$ 42,729,609</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

|   |           |                     |
|---|-----------|---------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$        | 34,803,405          |
| Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$69,709,946 and the accumulated depreciation is \$30,461,234. |           | 39,248,712          |
| Net Investments in Joint Ventures are not financial resources and are not reported as assets in the governmental funds.   |           | 2,085,585           |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.   |           | (54,150,400)        |
| Long-term liabilities, including post retirement liabilities, are not due and payable in the current period and are not reported as liabilities in the funds.   |           | (1,718,574)         |
| Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.  |           | 4,427,556           |
| Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.  |           | (482,817)           |
| Deferred Gains and Losses on Refunding of Bonds are not reported in the governmental funds. They constitute deferred inflows and deferred outflows of resources on the Statement of Net Position.                         |           | 275,496             |
| Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.  |           | (49,120,000)        |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.  |           |                     |
| Deferred outflows of resources related to pension of \$3,267,391 = \$3,267,391 deferred outflow of 2014/2015 employer contributions related to pensions.  |           | 3,267,391           |
| Deferred inflows of resources related to pensions   |           | (4,105,000)         |
| Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.   |           | 925,000             |
| <b>Total Net Position - Governmental Activities</b>   | <b>\$</b> | <b>(24,543,646)</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



RINGGOLD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Governmental Funds  |                      |                      | Totals               |
|--|---------------------|----------------------|----------------------|----------------------|
|  | General             | Debt Service<br>Fund | Construction<br>Fund |                      |
| <b>Revenues</b>                                      |                     |                      |                      |                      |
| Local Sources  |                     |                      |                      |                      |
| Taxes  | \$ 20,021,965       | \$ 1,435             | \$ 7,093             | \$ 20,021,965        |
| Other Local Revenues                                 | 901,713             |                      |                      | 910,241              |
| State Sources  | 20,461,016          |                      |                      | 20,461,016           |
| Federal Sources                                      | 804,686             |                      |                      | 804,686              |
| Total Revenues                                       | <u>42,189,380</u>   | <u>1,435</u>         | <u>7,093</u>         | <u>42,197,908</u>    |
| <b>Expenditures</b>                                  |                     |                      |                      |                      |
| Instruction  | 21,928,784          |                      |                      | 21,928,784           |
| Support Services                                     | 12,872,318          | 188,964              | 534,513              | 13,595,795           |
| Operation Of Non-Instructional Services              | 812,530             |                      |                      | 812,530              |
| Capital Outlay                                       |                     |                      | 2,632,696            | 2,632,696            |
| Debt Service   |                     |                      |                      |                      |
| Principal and Interest                               | 3,246,700           | 30,597               |                      | 3,277,297            |
| Total Expenditures                                   | <u>38,860,332</u>   | <u>219,561</u>       | <u>3,167,209</u>     | <u>42,247,102</u>    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 3,329,048           | (218,126)            | (3,160,116)          | (49,194)             |
| <b>Other Financing Sources &amp; (Uses)</b>          |                     |                      |                      |                      |
| Refunding Bond Proceeds                              |                     | 16,210,000           |                      | 16,210,000           |
| Bond Proceeds  |                     |                      | 19,010,000           | 19,010,000           |
| Payment to Refunding Bond Escrow Agents              |                     | (15,866,688)         |                      | (15,866,688)         |
| Bond Discount (Net)                                  |                     | (150,197)            | (229,200)            | (379,397)            |
| Bond Premium   |                     | 9,276                | 29,405               | 38,681               |
| Sale of Fixed Assets                                 | 84,285              |                      |                      | 84,285               |
| Interfund Transfers In                               | 13,427              | 750,000              | 2,500,000            | 3,263,427            |
| Interfund Transfers (Out)                            | (3,371,759)         | (13,427)             |                      | (3,385,186)          |
| Total Other Financing Sources & (Uses)               | <u>(3,274,047)</u>  | <u>938,964</u>       | <u>21,310,205</u>    | <u>18,975,122</u>    |
| Net Change in Fund Balances                          | 55,001              | 720,838              | 18,150,089           | 18,925,928           |
| Fund Balances - July 1, 2014                         | <u>4,325,111</u>    | <u>8,438,635</u>     | <u>3,113,731</u>     | <u>15,877,477</u>    |
| Fund Balances - June 30, 2015                        | <u>\$ 4,380,112</u> | <u>\$ 9,159,473</u>  | <u>\$ 21,263,820</u> | <u>\$ 34,803,405</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

|   |             |                         |
|---|-------------|-------------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>   | \$          | 18,925,928              |
| Depreciation Expense  |             | (1,637,840)             |
| Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.   |             | 3,386,771               |
| Loss on Disposition of Fixed Assets   |             | (139,397)               |
| Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.   |             | 52,342                  |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable and the accretment of interest on capital appreciation bonds. |             | (388,601)               |
| Bond Premiums and Discounts   |             | 340,716                 |
| Bond Premium and Discount Amortization  |             | (199,326)               |
| In the statement of activities compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.   |             | (321,035)               |
| Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.  |             | 2,496,525               |
| Bonds issued and refunded during the current year are reported in the governmental funds as revenues and expenditures. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.   |             | (19,650,000)            |
| Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense   |             |                         |
| District pension contributions  | 3,267,391   |                         |
| Cost of benefits earned net of employee contributions   | (1,687,000) | 1,580,391               |
| Deferred Loss on Refunding of Bonds   |             | 296,688                 |
| Amortization of Deferred Refunding Gains and Losses on Refunding of Bonds   |             | (21,192)                |
| <b>Change in Net Position - Governmental Activities</b>   | <b>\$</b>   | <b><u>4,721,970</u></b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET VS ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

|  | Original<br>Budget  | Final<br>Budget     | Actual<br>(budgetary basis) | Over<br>(Under)<br>Budget - Final |
|--|---------------------|---------------------|-----------------------------|-----------------------------------|
| <b>Revenues</b>                                      |                     |                     |                             |                                   |
| Local Sources  |                     |                     |                             |                                   |
| Taxes  | \$ 19,159,501       | \$ 19,159,501       | \$ 20,021,965               | \$ 862,464                        |
| Other Local Revenues                                 | 499,120             | 499,120             | 901,713                     | 402,593                           |
| State Sources  | 20,303,596          | 20,303,596          | 20,461,016                  | 157,420                           |
| Federal Sources                                      | 897,560             | 897,560             | 804,686                     | (92,874)                          |
| Total Revenues                                       | <u>40,859,777</u>   | <u>40,859,777</u>   | <u>42,189,380</u>           | <u>1,329,603</u>                  |
| <b>Expenditures</b>                                  |                     |                     |                             |                                   |
| Instruction  |                     |                     |                             |                                   |
| Regular Programs                                     | 15,753,468          | 15,628,408          | 15,628,535                  | 127                               |
| Special Programs                                     | 4,825,955           | 4,684,728           | 4,684,732                   | 4                                 |
| Vocational Education                                 | 1,289,378           | 1,108,120           | 1,108,121                   | 1                                 |
| Other Instructional Programs                         | 653,578             | 488,811             | 488,812                     | 1                                 |
| Nonpublic School Programs                            | -                   | 18,584              | 18,584                      | -                                 |
| Total Instruction                                    | <u>22,522,379</u>   | <u>21,928,651</u>   | <u>21,928,784</u>           | <u>133</u>                        |
| Support Services                                     |                     |                     |                             |                                   |
| Pupil Personnel                                      | 1,112,554           | 1,047,732           | 1,047,731                   | (1)                               |
| Instructional Staff                                  | 650,002             | 595,188             | 593,636                     | (1,552)                           |
| Administration                                       | 2,670,062           | 2,505,900           | 2,505,903                   | 3                                 |
| Pupil Health   | 363,202             | 302,706             | 302,707                     | 1                                 |
| Business   | 643,462             | 612,322             | 610,871                     | (1,451)                           |
| Operation & Maintenance of Plant Services            | 4,380,032           | 4,494,204           | 4,494,202                   | (2)                               |
| Student Transportation Services                      | 2,881,074           | 2,774,922           | 2,774,921                   | (1)                               |
| Central  | 530,245             | 510,860             | 510,861                     | 1                                 |
| Other Support Services                               | 35,000              | 31,486              | 31,486                      | -                                 |
| Total Support Services                               | <u>13,265,633</u>   | <u>12,875,320</u>   | <u>12,872,318</u>           | <u>(3,002)</u>                    |
| Operation of Non-Instructional Services              |                     |                     |                             |                                   |
| Student Activities                                   | 803,765             | 790,294             | 790,001                     | (293)                             |
| Community Services                                   | 13,000              | 22,529              | 22,529                      | -                                 |
| Total Non-Instructional Services                     | <u>816,765</u>      | <u>812,823</u>      | <u>812,530</u>              | <u>(293)</u>                      |
| Debt Service   |                     |                     |                             |                                   |
| Principal and Interest                               | 3,605,000           | 3,246,700           | 3,246,700                   | -                                 |
| Total Expenditures                                   | <u>40,209,777</u>   | <u>38,863,494</u>   | <u>38,860,332</u>           | <u>(3,162)</u>                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 650,000             | 1,996,283           | 3,329,048                   | 1,332,765                         |
| <b>Other Financing Sources &amp; (Uses)</b>          |                     |                     |                             |                                   |
| Sales of Assets                                      | -                   |                     | 84,285                      | 84,285                            |
| Interfund Transfers In                               | 100,000             | 100,000             | 13,427                      | (86,573)                          |
| Interfund Transfers (Out)                            | (750,000)           | (2,096,283)         | (3,371,759)                 | (1,275,476)                       |
| Total Other Financing Sources & (Uses)               | <u>(650,000)</u>    | <u>(1,996,283)</u>  | <u>(3,274,047)</u>          | <u>(1,277,764)</u>                |
| Net Change in Fund Balances                          |                     |                     | 55,001                      | 55,001                            |
| Fund Balance - July 1, 2014                          | <u>4,325,111</u>    | <u>4,325,111</u>    | <u>4,325,111</u>            |                                   |
| Fund Balance - June 30, 2015                         | <u>\$ 4,325,111</u> | <u>\$ 4,325,111</u> | <u>\$ 4,380,112</u>         | <u>\$ 55,001</u>                  |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2015

|   | Food Service<br>Fund | Retirement<br>Obligations Fund |
|---|----------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                                |
| Current Assets:   |                      |                                |
| Cash and Cash Equivalents   | \$ 352,711           | \$                             |
| Investments   |                      | 1,350,463                      |
| Due from Other Funds  | 218,181              | 100,000                        |
| Due from Other Governments  | 27,530               |                                |
| Inventories   | 18,580               |                                |
| Total Current Assets  | 617,002              | 1,450,463                      |
| Noncurrent Assets:  |                      |                                |
| Food Service Equipment (Net of Depreciation)                              | 213,112              |                                |
| Total Noncurrent Assets   | 213,112              |                                |
| <b>TOTAL ASSETS</b>   | <b>\$ 830,114</b>    | <b>1,450,463</b>               |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>       |                      |                                |
| LIABILITIES:  |                      |                                |
| Current Liabilities:  |                      |                                |
| Accounts Payable  | \$ 88,102            | \$                             |
| Other Current Liabilities   | 10,828               |                                |
| Total Current Liabilities   | 98,930               |                                |
| DEFERRED INFLOWS OF RESOURCES   |                      |                                |
| Unearned Revenue  | 18,580               |                                |
| Total Deferred Inflows of Resources                                       | 18,580               |                                |
| NET POSITION  |                      |                                |
| Net Investment in Capital Assets  | 213,112              |                                |
| Restricted for:   |                      |                                |
| Self Insured Retirement Obligations                                       |                      | 1,450,463                      |
| Unrestricted  | 499,492              |                                |
| Total Net Position  | 712,604              | 1,450,463                      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 830,114</b>    | <b>\$ 1,450,463</b>            |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Food<br>Service | Retirement<br>Obligations Fund |
|---|-----------------|--------------------------------|
| <b>Operating Revenues</b>               |                 |                                |
| Food Service Revenue                    | \$ 367,436      | \$                             |
| Total Operating Revenue                 | 367,436         |                                |
| <b>Operating Expenses</b>               |                 |                                |
| Personal Services - Salaries            | 486,592         |                                |
| Personal Services - Benefits            | 201,886         |                                |
| Other Purchased Services                | 703,490         |                                |
| Supplies                                | 137,468         |                                |
| Other Objects                           | 25,982          |                                |
| Depreciation Expense                    | 41,009          |                                |
| Total Operating Expenses                | 1,596,427       |                                |
| Operating Income (Loss)                 | (1,228,991)     |                                |
| <b>Nonoperating Revenues (Expenses)</b> |                 |                                |
| Operating Subsidies                     |                 |                                |
| State Subsidies                         | 137,451         |                                |
| Federal Subsidies                       |                 |                                |
| Lunch and Breakfast Subsidies           | 992,998         |                                |
| Value of Donated Commodities Received   | 79,777          |                                |
| Refund of Prior Year Expenditures       | 11,056          |                                |
| Earnings on Investments                 |                 | 159                            |
| Total Nonoperating Revenue and Expense  | 1,221,282       | 159                            |
| Income (Loss) Before Transfers          | (7,709)         | 159                            |
| Contributions and Transfers             |                 |                                |
| Transfers from Other Funds              | 21,759          | 100,000                        |
| Change in Net Position                  | 14,050          | 100,159                        |
| Net Position - July 1, 2014             | 698,554         | 1,350,304                      |
| Net Position - June 30, 2015            | \$ 712,604      | \$ 1,450,463                   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Food<br>Service | Retirement<br>Obligations Funds |
|---|-----------------|---------------------------------|
| <b>Cash Flows from Operating Activities:</b>  |                 |                                 |
| Cash Received from Customers  | \$ 381,856      | \$                              |
| Cash Payments to Employees for Services   | (674,547)       |                                 |
| Cash Paid to Suppliers for Goods and Services   | (774,572)       |                                 |
| Net Cash Provided (Used) by Operating Activities  | (1,067,263)     |                                 |
| <b>Cash Flows from Noncapital Financing Activities:</b>                                       |                 |                                 |
| Grants and Subsidies Received for Non-Operating Activities                                    |                 |                                 |
| State Subsidies   | 137,332         |                                 |
| Federal Subsidies   | 986,820         |                                 |
| Refund of Prior Year Expenditures   | 11,056          |                                 |
| Transfer from Other Funds   | 21,759          |                                 |
| Net Cash Provided (Used) by Noncapital Financing Activities                                   | 1,156,967       |                                 |
| <b>Cash Flows from Investing Activities:</b>  |                 |                                 |
| Earning on Investments  |                 | 159                             |
| Withdrawals (Purchases of) from Investment Pools  |                 | (159)                           |
| Net Cash Provided (Used) by Investing Activities  |                 | -                               |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 89,704          |                                 |
| Cash and Cash Equivalents, Beginning of Year  | 263,007         |                                 |
| Cash and Cash Equivalents, End of Year  | \$ 352,711      | \$                              |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Used<br/>By Operating Activities</b> |                 |                                 |
| Operating Income (Loss)   | \$ (1,228,991)  | \$                              |
| Adjustments to Reconcile Operating Income (Loss) to Net<br>Cash Used by Operating Activities: |                 |                                 |
| Depreciation  | 41,009          |                                 |
| Donated Commodities Used  | 79,777          |                                 |
| Changes in Assets and Liabilities:  |                 |                                 |
| Accounts Receivable   | 17,066          |                                 |
| Inventories   | (56)            |                                 |
| Due to/Due From Other Funds   | 13,931          |                                 |
| Accounts Payable  | 12,591          |                                 |
| Unearned Revenues   | 56              |                                 |
| Other Current Liabilities   | (2,646)         |                                 |
| Total Adjustments   | 161,728         |                                 |
| Net Cash Provided (Used) by Operating Activities  | \$ (1,067,263)  | \$                              |

**Noncash Noncapital Financing Activities:**

During the year, the District received \$79,777 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

RINGGOLD SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2015

|   | Agency Funds          |                |
|---|-----------------------|----------------|
|   | Student<br>Activities | Bond<br>Escrow |
| <b>ASSETS</b>                             |                       |                |
| Cash and Cash Equivalents                 | \$ 89,148             | \$ 245,282     |
| <b>TOTAL ASSETS</b>                       | \$ 89,148             | \$ 245,282     |
| <b>LIABILITIES</b>                        |                       |                |
| Due to Other Funds                        | \$                    | \$ 282         |
| Other Liabilities                         | 89,148                | 245,000        |
| Total Liabilities                         | 89,148                | 245,282        |
| <b>NET POSITION</b>                       |                       |                |
| Unrestricted                              |                       |                |
| Total Net Position                        |                       |                |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | \$ 89,148             | \$ 245,282     |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# Ringgold School District

## Notes to the Basic Financial Statements

### June 30, 2015

#### Note 1 - Summary of Significant Accounting Policies

The Ringgold School District (the "School District") provides public education to residents of the Boroughs of Donora, Finleyville and New Eagle, the Townships of Carroll, Nottingham and Union and the City of Monongahela, Pennsylvania from its two elementary centers, middle school and high school.

#### **A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Ringgold School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is, however, a participant in a jointly governed organization: Mon Valley Career & Technology Center (Vo-Tech). See Note 8 for details on operating information about this entity.

#### **B. Basis of Presentation**

The financial statements of Ringgold School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District's accounting policies.

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

#### **1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government,



except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

## **2. Fund Financial Statements**

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statement for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## **C. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from

which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund, the Construction Fund, and the Debt Service Fund are the School District's major governmental funds.

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

**Construction Fund** – The Construction Fund is the School District's capital projects fund and capital reserve fund. The capital projects fund accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements. The Capital Reserve Fund is a Section 2932 Capital Reserve Fund set up in accordance with the Pennsylvania School Code. The purpose of the fund is to set aside excess monies available in the General Fund for future use in the area of capital outlay and improvements.

**Debt Service Fund** - Debt Service Funds account for resources accumulated to provide for payment of general long-term debt principal and interest.

## **2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

### **Enterprise Fund**

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

### **Food Service**

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

### **Internal Service Fund**

The Internal Service Funds may be used to account for any activity for which a fee is charged to external users for goods or services.

### **Retirement Obligations Fund**

The Retirement Obligations Fund was established by the School District to account for funds accumulated to provide for payment of post retirement insurance benefits and retirement incentives.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The

principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

### **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

#### ***Agency Funds***

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

Bond Escrow Fund – This fund is utilized to account for unclaimed bond proceeds that are due back to the bondholders.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **D. Measurement Focus, Basis of Accounting**

#### **1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### **2. Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements,

therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

### **3. Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

### **4. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

### **5. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting

period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### **E. Budgetary Process**

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflects the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation and include budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

### **F. Encumbrances**

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2015, the School District has no encumbrances.

### **G. Cash and Investments**

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

Custodial Credit Risk - Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository. Due to higher cash flows at certain times during the year and the School District's investments in certificates of deposit, its demand deposit balances increase significantly. As a result, the amounts collateralized with pooled deposit funds not held in the School District's name at those times were substantially higher than at year-end.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issue.

Method to Estimate Fair Value - Investments are stated at fair market value.

***Deposits***

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

|                   | <b>FDIC Insured</b> | <b>Pooled Collateral</b> | <b>Bank Balance</b>  | <b>Carrying Amount</b> |
|-------------------|---------------------|--------------------------|----------------------|------------------------|
| Cash and Deposits | <u>\$ 506,262</u>   | <u>\$ 12,048,389</u>     | <u>\$ 12,554,651</u> | <u>\$ 12,084,365</u>   |

***Investments***

The investments of the District have been categorized to indicate the level of risk assumed by the District.

The District’s investments at June 30, 2015 consist of:

|  | <u>Cost</u>          | <u>Fair Value</u>    |
|--|----------------------|----------------------|
| Pennsylvania Local Government Investment Trust | \$ 27,776,527        | \$ 27,776,527        |
| Pennsylvania School District Liquid Asset Fund | 1,350,464            | 1,350,464            |
| Total  | <u>\$ 29,126,991</u> | <u>\$ 29,126,991</u> |

The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust are investment pools. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net assets value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

For PSDLAF, internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor’s, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

For PLGIT, regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

#### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2015, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

#### **I. Interfund Receivables/Payables**

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

#### **J. Inventories**

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2015.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2015. The inventory consisted of government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2015 are reported as unearned revenue.

#### **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The School District has not prepared detailed fixed asset registers as required by generally accepted accounting principles. Fixed asset costs shown in the financial statements are estimated based upon available historical records. Depreciation has been estimated based upon the useful lives of the various asset categories and the period of time elapsed since the asset was placed into service. It is the intent of the School District to complete a project to properly record all assets.

#### **L. Long-Term Liabilities**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **M. Estimates**

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

#### **N. Fund Balances**

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2015 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District's highest level of decision making authority. Commitments may be



modified or rescinded only through resolutions approved by the Board of School Directors.

- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Director of Operations and Financial Services of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District’s general fund total \$4,380,112, composed of amounts assigned for athletics and 15/16 PSERS liabilities of \$269,446 and \$2,178,740, respectively, and unassigned amounts of \$1,931,926. In addition, \$9,159,473 is committed for the debt service fund and \$21,263,820 is committed for the construction fund.

#### **O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

### **Note 2 - Real Estate and Unearned Revenue**

Property taxes attach as an enforceable lien on property as of July 1<sup>st</sup> of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is handled by Portnoff Law Associates. The tax levy for fiscal 2015 was based on assessed values on January 1, 2014 of \$145,315,972. The School District tax rate for the year ended June 30, 2015 was 123.0 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, and at a 10% penalty until the lien date. The following is a schedule of real estate tax collections for the 2014/2015 school year.

|                    | Nottingham<br>Township | Union<br>Township | New Eagle<br>Borough | Finleyville<br>Borough | Donora<br>Borough | City of<br>Monongahela | Carroll<br>Township | Total          |
|--------------------|------------------------|-------------------|----------------------|------------------------|-------------------|------------------------|---------------------|----------------|
| Adjusted Valuation | \$ 27,800,788          | \$ 36,757,559     | \$ 8,527,279         | \$ 2,203,503           | \$ 17,152,162     | \$ 17,119,322          | \$ 35,618,345       | \$ 145,178,958 |
| Times: Mileage     | 0.12300                | 0.12300           | 0.12300              | 0.12300                | 0.12300           | 0.12300                | 0.12300             | 0.12000        |
| Tax At Face        | 3,419,497              | 4,521,180         | 1,048,855            | 271,031                | 2,109,716         | 2,105,677              | 4,381,056           | 17,421,475     |
| Collections        | 3,318,458              | 4,247,013         | 984,597              | 243,651                | 1,803,978         | 1,926,022              | 4,170,272           | 16,693,991     |
| Percent Collected  | 97%                    | 94%               | 94%                  | 90%                    | 86%               | 91%                    | 95%                 | 96%            |

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$257,489.

### Note 3 - Changes in Capital Assets

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

|   | Beginning<br>Balance | Additions           | Retirements         | Ending<br>Balance    |
|---|----------------------|---------------------|---------------------|----------------------|
| <b>Governmental Activities</b>  |                      |                     |                     |                      |
| <b>Non-Depreciable Assets:</b>  |                      |                     |                     |                      |
| Construction in Progress  | \$ 1,428,226         | \$ 1,910,415        | \$                  | \$ 3,338,641         |
| <b>Depreciable Assets:</b>  |                      |                     |                     |                      |
| Land Improvements   | 3,010,677            | 109,586             | (246,415)           | 2,873,848            |
| Buildings   | 55,846,166           | 749,006             | (1,545,316)         | 55,049,856           |
| Equipment   | 8,334,386            | 617,764             | (504,549)           | 8,447,601            |
| Totals at historical cost   | <u>68,619,455</u>    | <u>3,386,771</u>    | <u>(2,296,280)</u>  | <u>69,709,946</u>    |
| <b>Less:</b>  |                      |                     |                     |                      |
| <b>Accumulated Depreciation</b>   |                      |                     |                     |                      |
| Land Improvements   | (2,431,921)          | (52,441)            | 242,537             | (2,241,825)          |
| Buildings   | (22,316,074)         | (971,628)           | 1,459,195           | (21,828,507)         |
| Equipment   | (6,232,282)          | (613,771)           | 455,151             | (6,390,902)          |
| Total accumulated depreciation  | <u>(30,980,277)</u>  | <u>(1,637,840)</u>  | <u>2,156,883</u>    | <u>(30,461,234)</u>  |
| Governmental activities capital assets, net                                   | <u>\$ 37,639,178</u> | <u>\$ 1,748,931</u> | <u>\$ (139,397)</u> | <u>\$ 39,248,712</u> |
| <b>Business-type Activities</b>   |                      |                     |                     |                      |
| <b>Depreciable Assets:</b>  |                      |                     |                     |                      |
| Equipment   | \$ 1,043,772         | \$                  | \$                  | \$ 1,043,772         |
| Totals at historical cost   | <u>1,043,772</u>     | <u></u>             | <u></u>             | <u>1,043,772</u>     |
| <b>Less accumulated depreciation for:</b>                                     |                      |                     |                     |                      |
| Equipment   | (789,651)            | (41,009)            |                     | (830,660)            |
| Total accumulated depreciation  | <u>(789,651)</u>     | <u>(41,009)</u>     | <u></u>             | <u>(830,660)</u>     |
| Business-type activities capital asset, net                                   | <u>\$ 254,121</u>    | <u>\$ (41,009)</u>  | <u>\$</u>           | <u>\$ 213,112</u>    |
| <b>Depreciation expense was charged to governmental functions as follows:</b> |                      |                     |                     |                      |
| Instruction   |                      |                     |                     | \$ 538,056           |
| Support   |                      |                     |                     | 4,518                |
| Administration  |                      |                     |                     | 107,510              |
| Plant   |                      |                     |                     | 129,262              |
| Transportation  |                      |                     |                     | 249,862              |
| Student Activities  |                      |                     |                     | 39,580               |
| Unallocated-Governmental Funds  |                      |                     |                     | 569,052              |
| Total depreciation expense  |                      |                     |                     | <u>\$ 1,637,840</u>  |

In the 2014/2015 school year, building renovations and equipment purchases added \$3,386,771 to the historical cost of governmental activities. Depreciation expense for that same time period was \$1,637,840 and \$41,009 for the governmental activities and business activities. Following net disposals of \$139,397, the result is a net book value increase of \$1,609,534 for the governmental activities and a net book value decrease of \$41,009 for the business activities.

## Note 4 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

|  | Beginning<br>Balance | Additions            | Reductions             | Ending<br>Balance    | Amounts<br>Due Within<br>One Year |
|--|----------------------|----------------------|------------------------|----------------------|-----------------------------------|
| <b>Governmental Activities:</b>                    |                      |                      |                        |                      |                                   |
| Bonds, loans & leases payable                      |                      |                      |                        |                      |                                   |
| Capital Improvement bonds                          | \$ 36,938,408        | \$ 35,599,816        | \$ (18,066,525)        | \$ 54,471,699        | \$ 2,489,126                      |
| Leases payable                                     |                      |                      |                        |                      |                                   |
|  | <u>36,938,408</u>    | <u>35,599,816</u>    | <u>(18,066,525)</u>    | <u>54,471,699</u>    | <u>2,489,126</u>                  |
| Less bond discount &<br>deferred amount on refunds | <u>179,909</u>       | <u>394,671</u>       | <u>(253,281)</u>       | <u>321,299</u>       |                                   |
| Total bonds, loans<br>and leases payable           | 36,758,499           | 35,205,145           | (17,813,244)           | 54,150,400           | 2,489,126                         |
| <b>Other liabilities:</b>                          |                      |                      |                        |                      |                                   |
| Compensated absences                               | 680,647              | 158,496              | (139,044)              | 700,099              |                                   |
| OPEB Obligation                                    | 716,892              | 551,104              | (249,521)              | 1,018,475            |                                   |
| Total other liabilities                            | <u>1,397,539</u>     | <u>709,600</u>       | <u>(388,565)</u>       | <u>1,718,574</u>     |                                   |
| Governmental activities<br>long-term liabilities   | <u>\$ 38,156,038</u> | <u>\$ 35,914,745</u> | <u>\$ (18,201,809)</u> | <u>\$ 55,868,974</u> | <u>\$ 2,489,126</u>               |

### **Debt Refundings**

The School District issued General Obligation Bonds, Series of 2014 for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series of 2010. The School District issued General Obligation Bonds, Series of 2014A for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series of 2010. The two refundings resulted in a total savings of \$1,333,115 to the School District over the life of the issuances.

### **Debt Issuances**

The School District issued General Obligation Bonds, Series of 2014AA for the payment of the costs of acquiring and constructing additions, alterations and renovations which constitute the Middle School building project, including reimbursement of amounts previously expended in respect of the project. The School District issued General Obligation Bonds, Series of 2015 for the payment of the costs of acquiring and constructing additions, alterations and renovations to Ringgold Elementary School North and to the Middle School building project, including reimbursement of amounts previously expended in respect of the project.

### **General Obligation Bonds used for Capital Improvements**

General Obligation Bonds consist of the following:

Capital Appreciation Bonds, Series of 1990 with rates ranging from 7.0% to 7.25% and final payment due in 2017. The current accreted value as of June 30, 2015 is \$4,442,229.

General Obligation Refunding Bonds, Series of 2002 consisting of current interest and capital appreciation bonds with rates ranging from 2.0% to 4.15% and final payment due in 2021. The current accreted value as of June 30, 2015 is \$413,023

General Obligation Bonds, Series of 2010, variable rate interest from 2.0% to 4.05% with final payment due in 2029. These bonds were refunded during 2014/2015 with the issuance of the Series of 2014 and Series of 2014A Bonds.

General Obligation Bonds, Series of 2011, variable rate interest from 2.0% to 3.25% with final payment due in 2021.

School Building (General Obligation Secured) Bonds, Series of 2012, variable rate interest from 0.65% to 2.75% with final payment due in 2026.

General Obligation Bonds, Series of 2012, variable rate interest from 0.400% to 2.150% with final payment due in 2023.

General Obligation Bonds, Series of 2014, variable rate interest from 0.75% to 3.00% with final payment due in 2028.

General Obligation Bonds, Series of 2014A, variable rate interest from 1.00% to 2.55% with final payment due in 2024.

General Obligation Bonds, Series of 2014AA, variable rate interest from 0.50% to 3.00% with final payment due in 2028.

General Obligation Bonds, Series of 2015, variable rate interest from 1.50% to 3.50% with final payment due in 2031.

The General Fund is used to liquidate the long-term liability for post-retirement benefits and compensated absences. The current portion of post retirement benefits is recorded as a current liability in the general fund on the statement of net position.

The amounts necessary to amortize outstanding bond debt for the next five years and to maturity are:

|           | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------|----------------------|----------------------|----------------------|
| 2016      | \$ 2,489,126         | \$ 1,274,612         | \$ 3,763,738         |
| 2017      | 2,656,726            | 1,280,868            | 3,937,594            |
| 2018      | 2,675,627            | 1,262,064            | 3,937,691            |
| 2019      | 2,833,227            | 1,216,844            | 4,050,071            |
| 2020      | 2,930,828            | 1,142,278            | 4,073,106            |
| 2021-2025 | 16,447,870           | 4,938,045            | 21,385,915           |
| 2026-2030 | 18,784,765           | 2,263,137            | 21,047,902           |
| 2031-2032 | 5,925,000            | 176,813              | 6,101,813            |
| Total     | <u>\$ 54,743,169</u> | <u>\$ 13,554,661</u> | <u>\$ 68,297,830</u> |

## Note 5 - Pension Plan

### **1. Summary of Significant Accounting Policies**

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Public School employees' Retirement System (PSERS) and addition to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

#### ***General Information about the Pension Plan***

#### Plan Description

PSERS is a governmental cost sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To

qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

#### Contributions

##### Member Contributions:

Active members who joined the system prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 % (Membership Class T-C) or at 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The School District’s contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,267,391 for the year ended June 30, 2015.

**2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2015, the District reported a liability of \$49,120,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2013 to June 30, 2014. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District’s proportion was 0.1241 percent, which was a decrease of 0.0018 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$4,159,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual investment earnings | \$ -                              | \$ 4,105,000                     |
| Contributions subsequent to the measurement date                | 3,267,391                         |                                  |
|   | <u>\$ 3,267,391</u>               | <u>\$ 4,105,000</u>              |

\$3,267,391 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, |              |
|---------------------|--------------|
| 2016                | \$ 1,021,000 |
| 2017                | 1,021,000    |
| 2018                | 1,021,000    |
| 2019                | 21,000       |



## Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce a long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Public markets global equity | 19%                      | 5.0%  |
| Private markets (equity)     | 21%                      | 6.5%  |
| Private real estate          | 13%                      | 4.7%  |
| Global fixed income          | 8%                       | 2.0%  |
| U.S. long treasuries         | 3%                       | 1.4%  |
| TIPS                         | 12%                      | 1.2%  |
| High yield bonds             | 6%                       | 1.7%  |
| Cash                         | 3%                       | 0.9%  |
| Absolute return              | 10%                      | 4.8%  |
| Risk parity                  | 5%                       | 3.9%  |
| MLPs/Infrastructure          | 3%                       | 5.3%  |
| Commodities                  | 6%                       | 3.3%  |
| Financing (LIBOR)            | -9%                      | 1.1%  |
|                              | <u>100%</u>              |   |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

|   | <u>1% Decrease<br/>6.50%</u> | <u>Current<br/>Discount<br/>rate<br/>7.50%</u> | <u>1%<br/>Increase<br/>8.50%</u> |
|---|------------------------------|--|----------------------------------|
| District's proportionate share of the net pension liability | \$ 61,270,000                | \$ 49,120,000                                  | \$ 38,747,000                    |

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

|  | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|--|---------------|---------------|---------------|
| Total payroll for the year ended               | \$ 16,694,379 | \$ 16,320,477 | \$ 16,747,921 |
| Total covered payroll                          | 15,869,033    | 16,058,848    | 16,306,084    |
| Total required retirement expense              | 3,395,973     | 2,718,763     | 2,015,432     |
| Total actual retirement expense                | 3,395,973     | 2,718,763     | 2,015,432     |
| Percentage of required contribution            | 100%          | 100%          | 100%          |
| Contribution percentage actuarially determined | 21.40         | 16.93         | 12.36         |

## Note 6 - Compensated Absences

The School District has made early retirement benefits available to certain employees. The benefit is payment for unused sick days at retirement. The payable for declared retirements is recorded as a current liability in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

|                       | Sick Day<br>Liability | Total             |
|-----------------------|-----------------------|-------------------|
| June 30, 2014 Balance | \$ 680,647            | \$ 680,647        |
| Increases             | 158,496               | 158,496           |
| Decreases             | <u>(139,044)</u>      | <u>(139,044)</u>  |
| June 30, 2015 Balance | <u>\$ 700,099</u>     | <u>\$ 700,099</u> |

## Note 7 – Other Post Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District's health insurance plan.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The Annual Required Contribution for the year ended June 30, 2015 was not made by the District.

*Funded Status and Funding Progress.* As of July 1, 2014, the actuarial accrued liability for benefits was \$4,282,857, all of which was unfunded. The District has set aside funds in an internal service fund for retirement obligations totaling \$1,450,463.

### Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability AAL –<br>Entry Age (b) | Unfunded<br>AAL (UAAL)<br>(b)-(a) |
|--------------------------------|-------------------------------------|--|-----------------------------------|
| <u>7/1/2014</u>                | <u>\$ -0-</u>                       | <u>\$ 4,242,857</u>                                      | <u>\$ 4,242,857</u>               |
| <u>7/1/2012</u>                | <u>\$ -0-</u>                       | <u>\$ 5,409,128</u>                                      | <u>\$ 5,409,128</u>               |
| <u>7/1/2010</u>                | <u>\$ -0-</u>                       | <u>\$ 7,024,893</u>                                      | <u>\$ 7,024,893</u>               |
| <u>7/1/2008</u>                | <u>\$ -0-</u>                       | <u>\$ 8,479,223</u>                                      | <u>\$ 8,479,223</u>               |

*Annual Required Contribution.* For the 2014/2015 year, the District’s annual required contribution of \$522,428 was not made. The required contribution was determined as part of the July 1, 2014 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 4.00% investment rate of return and (b) no assumed salary scale. Since the School District has chosen not to place its annual required contribution into a restricted trust, interest expense has accrued on the net obligation each year and is included in the net pension obligation of the School District.

| Fiscal Year<br>Ending | Annual<br>Required<br>Contribution<br>(ARC) | Percentage of<br>ARC Contributed | Net Pension<br>Obligation |
|-----------------------|---|----------------------------------|---------------------------|
| 6/30/11               | \$ 678,263                                  | 90.46%                           | \$ 351,375                |
| 6/30/12               | 678,263                                     | 80.77%                           | 495,881                   |
| 6/30/13               | 656,650                                     | 100.00%                          | 449,235                   |
| 6/30/14               | 656,650                                     | 61.98%                           | 716,892                   |
| 6/30/15               | 522,428                                     | 47.76%                           | 1,018,475                 |

2014/2015 Contribution Details

|   |                     |
|---|---------------------|
| Annual Required Contribution (ARC)        | \$ 522,428          |
| Interest on NET OPEB Obligation @ 4.00%   | 28,676              |
| Annual OPEB Cost                          | 551,104             |
| Contributions Made                        | (249,521)           |
| Estimated Increase in Net OPEB Obligation | 301,583             |
| Net OPEB Obligation - Beginning of Year   | 716,892             |
| Net OPEB Obligation - End of Year         | <u>\$ 1,018,475</u> |

The following assumptions were also made:

*Mortality* – The RP-2000 Healthy Annuitant Mortality Table with generational improvement using Scale BB.

*Rates of Disablement* – Not assumed.

*Retirement* – Administrators were assumed to retire at age 55 and the completion of 10 years of service. All other personnel were assumed to retire immediately upon attainment of eligibility for unreduced benefits under PSERS.

*Marital Status* – 90% of future retirees were assumed to be married. All other future retirees except Act 93 Administrators were assumed to buy single coverage at a 15% utilization rate.

*Age of Spouse* – For future retirees, the female spouse was assumed to be three years younger than the male spouse.

*Medical Inflation* – 7% in the first year, gradually decreasing by 1% per year, to an ultimate rate of 5%.

### Note 8 - Jointly Governed Organizations

The School District is one of six member school districts of the Mon Valley Career & Technology Center (Vo-Tech). Vo-Tech is controlled and governed by the Joint Board, which is composed of one member from each school board of the member districts. Direct oversight of Vo-Tech's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for Vo-Tech fluctuates based on the percentage enrollment in the school. The Mon Valley Career & Technology Center prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

### Note 9 - Commitments and Contingencies

The Ringgold School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2015 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

### Note 10 – Interfund Balances

The following interfund receivable and payable balances existed at June 30, 2015:

| <u>Interfund Receivable</u> | <u>Amounts</u>      | <u>Interfund Payable</u> | <u>Amounts</u>      |
|-----------------------------|---------------------|--------------------------|---------------------|
| Construction Fund           | \$ 2,500,000        | General Fund             | \$ 2,818,181        |
| Cafeteria Fund              | 218,181             | Construction Fund        | 4,652               |
| Retirement Obligations Fund | 100,000             | Bond Escrow Fund         | 282                 |
| General Fund                | 4,934               |                          |                     |
| Total                       | <u>\$ 2,823,115</u> |                          | <u>\$ 2,823,115</u> |

The interfund receivable for the Construction Fund is the result of funds being set aside for future capital improvements. The interfund receivable for the Retirement Obligations Fund is the result of funds being set aside for future retirement liabilities of the School District.

During the fiscal year ended June 30, 2015, the following fund level transfers were made:

| <u>Transfers from</u> | <u>Amounts</u>      | <u>Transfers to</u>    | <u>Amounts</u>      |
|-----------------------|---------------------|------------------------|---------------------|
| General Fund          | \$ 3,371,759        | Construction           | \$ 2,500,000        |
| Debt Service Fund     | 13,427              | Debt Service           | 750,000             |
|                       |                     | Retirement Obligations | 100,000             |
|                       |                     | Cafeteria Fund         | 21,759              |
|                       |                     | General Fund           | 13,427              |
|                       | <u>\$ 3,385,186</u> |                        | <u>\$ 3,385,186</u> |

The transfers to the Construction and Debt Service Funds are the result of funds being set aside for future capital improvements and debt service payments. The transfer to the Retirement Obligations Fund is the result of funds being set aside for future retirement liabilities of the School District.

### Note 11 - Risk Management

The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Ringgold School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

### Note 12 – Health Insurance Consortium

The Intermediate Unit I Health Insurance Consortium Trust (Trust) was formed September 1, 1991, to provide a program of health coverage for its subscribing school districts and vocational-technical schools. All school districts and vocational-technical schools serviced by the Intermediate Unit I of Fayette, Greene and Washington Counties are eligible to participate in the Trust. The Trust's general objectives are to formulate, develop, and administer, on behalf of its subscribers, a program of insurance, to obtain lower costs for the coverage, to reward subscribers for lower usage of the coverage, to establish a continuing voice with Blue Cross/Blue Shield, and to manage the Trust's healthcare dollar most effectively.

Each subscriber is entitled to designate a representative to vote on the election of five trustees to administer the Trust (collectively referred to as the "Trustee"). The Trustee shall determine the costs of the group plan and shall fix the amount of monthly contributions due from each subscriber to cover both the costs of the insurance and the administration of the plan. Any subscriber may withdraw from the Trust by giving written notice to the Trustee prior to March 31<sup>st</sup> of the year they intend to withdraw. All withdrawals will be effective as of June 30<sup>th</sup>. Subscribers currently include twenty-five school districts, five vocational-technical schools, one Washington County alternative school and one Intermediate Unit.

### Note 13 – Investment in Joint Venture

As disclosed in Note 8, the School District is a member school district of the Mon Valley Career & Technology Center. During 2011/2012, the Technology Center issued school building authority

bonds with the prorated principal amounts allocated among the member school districts. This investment by the School District in the renovation of the Technology Center is accounted for as a joint venture. The amount shown on the statement of net position represents only amounts invested by the School District since July 1, 2011.

#### Note 14 – New Accounting Pronouncement

GASB Statement #68 was implemented in the 2014/2015 year. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and have certain characteristics. The application of this Statement has resulted in the School District including a proportionate share of the PSERS unfunded liability within its financial statements. The beginning balance of the School District's net position was restated to comply with this Statement.

## Supplementary Information



RINGGOLD SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

Student Activity Fund

|                           | June 30,<br>2014 | Additions         | Reductions        | June 30,<br>2015 |
|---------------------------|------------------|-------------------|-------------------|------------------|
| <b>Assets</b>             |                  |                   |                   |                  |
| Cash and Cash Equivalents | \$ 88,883        | \$ 203,331        | \$ 203,066        | \$ 89,148        |
| Investments               |                  |                   |                   |                  |
| Total Assets              | <u>\$ 88,883</u> | <u>\$ 203,331</u> | <u>\$ 203,066</u> | <u>\$ 89,148</u> |
| <b>Liabilities</b>        |                  |                   |                   |                  |
| Accounts Payable          | \$               | \$                | \$                | \$               |
| Other Liabilities         | 88,883           | 203,331           | 203,066           | 89,148           |
| Total Liabilities         | <u>\$ 88,883</u> | <u>\$ 203,331</u> | <u>\$ 203,066</u> | <u>\$ 89,148</u> |

Bond Escrow Fund

|                           | June 30,<br>2014  | Additions        | Reductions  | June 30,<br>2015  |
|---------------------------|-------------------|------------------|-------------|-------------------|
| <b>Assets</b>             |                   |                  |             |                   |
| Cash and Cash Equivalents | \$ 195,164        | \$ 50,118        | \$          | \$ 245,282        |
| Investments               |                   |                  |             |                   |
| Total Assets              | <u>\$ 195,164</u> | <u>\$ 50,118</u> | <u>\$ -</u> | <u>\$ 245,282</u> |
| <b>Liabilities</b>        |                   |                  |             |                   |
| Due to Other Funds        | \$ 164            | \$ 118           | \$          | \$ 282            |
| Other Liabilities         | 195,000           | 50,000           |             | 245,000           |
| Total Liabilities         | <u>\$ 195,164</u> | <u>\$ 50,118</u> | <u>\$ -</u> | <u>\$ 245,282</u> |



# Cypher & Cypher

Accountants | Auditors | Advisors

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*

Ringgold School District  
New Eagle, Pennsylvania

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 business-type activities, each major fund, and the aggregate remaining fund information of Ringgold School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ringgold School District's basic financial statements, and have issued our report thereon dated November 25, 2015.

## Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ringgold School District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

CYPHER & CYPHER

A handwritten signature in black ink that reads "Cypher & Cypher". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 25, 2015



# Cypher & Cypher

Accountants | Auditors | Advisors

## Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by OMB Circular A-133

Ringgold School District  
New Eagle, Pennsylvania

### Report on Compliance for Each Major Federal Program

We have audited Ringgold School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ringgold School District's major federal programs for the year ended June 30, 2015. Ringgold School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ringgold School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ringgold School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Programs***

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

### **Report on Internal Control over Compliance**

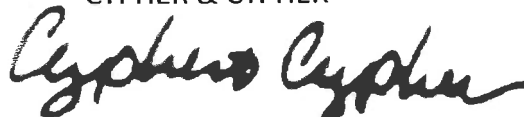
Management of Ringgold School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ringgold School District's internal control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

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

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

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

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 25, 2015

Ringgold School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

Section 1 – Summary of Auditor’s Results

|                       |   |               |
|-----------------------|---|---------------|
| Financial Statements: |   |               |
|                       |   |               |
| i.                    | Type of auditor’s report issued:                      | Unmodified    |
|                       |   |               |
| ii.                   | Internal control over financial reporting:            |               |
|                       |   |               |
|                       | Material weakness(es) identified?                     | No            |
|                       |   |               |
|                       | Significant deficiencies identified?                  | None reported |
|                       |   |               |
| iii.                  | Noncompliance material to financial statements noted? | No            |

|                 |  |               |
|-----------------|--|---------------|
| Federal Awards: |  |               |
|                 |  |               |
| iv.             | Internal control over major programs:  |               |
|                 |  |               |
|                 | Material weakness(es) identified?  | No            |
|                 |  |               |
|                 | Significant deficiencies identified?   | None reported |
|                 |  |               |
| v.              | Type of auditor’s report issued on compliance for major programs:  | Unmodified    |
|                 |  |               |
| vi.             | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No            |

|       |  |                                    |
|-------|--|------------------------------------|
| vii.  | Major Programs:  |                                    |
|       |  |                                    |
|       | CFDA Number(s)   | Name of Federal Program or Cluster |
|       |  |                                    |
|       | 84.010   | Title I, Part A Cluster            |
|       | 84.027<br>84.173   | Special Education Cluster (IDEA)   |
|       | 10.553<br>10.555<br>10.559   | Child Nutrition Cluster            |
|       |  |                                    |
| viii. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000                          |
|       |  |                                    |
| ix.   | Auditee qualify as low-risk auditee?                                     | No                                 |

Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None.

Section 3 – Findings and Questioned Costs for Federal Awards

None.

Section 4 – Summary of Prior Audit Findings

None.

Ringgold School District  
Schedule of Expenditure of Federal Awards  
School Year Ended June 30, 2015

| Project Title Or Grant Name  | Funding Source | Federal CFDA # | Pass Through Grantor #   | Program Years  | Program Grant Award         | Cash Received In 14/15      | Accrued/Deferred Revenue 7/1/14 | Revenues Recognized 14/15  | Expenditures Recognized 14/15 | Accrued/Deferred Revenue 6/30/15 | Carryover To 15/16   |
|--|----------------|----------------|--------------------------|----------------|-----------------------------|-----------------------------|---------------------------------|----------------------------|-------------------------------|----------------------------------|----------------------|
| <b>Title I, Part A Cluster</b>   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Department of Education  |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Passed from Pennsylvania Department of Education                                   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Title I  | I              | 84.010         | 013-150362<br>013-140362 | 14/15<br>13/14 | \$ 660,883.00<br>565,662.00 | \$ 486,032.80<br>170,348.00 | \$ -<br>88,049.08               | \$ 509,690.36<br>82,298.92 | \$ 509,690.36<br>82,298.92    | \$ 23,657.56<br>-                | \$ 151,192.64        |
| <b>Total Title I, Part A Cluster</b>   |                |                |                          |                | <b>\$ 1,226,545.00</b>      | <b>\$ 656,380.80</b>        | <b>\$ 88,049.08</b>             | <b>\$ 591,989.28</b>       | <b>\$ 591,989.28</b>          | <b>\$ 23,657.56</b>              | <b>\$ 151,192.64</b> |
| <b>Special Education Cluster (IDEA)</b>  |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Department of Education  |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Passed from Fayette-Greene-Washington Intermediate Unit #1                         |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Education of Handicapped - IDEA Program  | I              | 84.027         |                          | 14/15          | \$ 344,899.00               | \$ 344,899.00               | \$ -                            | \$ 344,899.00              | \$ 344,899.00                 | \$ -                             | \$ -                 |
| IDEA-B Section 619   | I              | 84.173         |                          | 14/15          | 3,141.00                    | 3,141.00                    | -                               | 3,141.00                   | 3,141.00                      | -                                | -                    |
| <b>Total Special Education Cluster (IDEA)</b>                                      |                |                |                          |                | <b>\$ 348,040.00</b>        | <b>\$ 348,040.00</b>        | <b>\$ -</b>                     | <b>\$ 348,040.00</b>       | <b>\$ 348,040.00</b>          | <b>\$ -</b>                      | <b>\$ -</b>          |
| <b>Child Nutrition Cluster</b>   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| U.S. Department of Agriculture   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Passed from Pennsylvania Department of Education                                   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Breakfast Program  | I              | 10.553         |                          | 14/15<br>13/14 | \$ 309,947.75<br>251,006.68 | \$ 301,830.15<br>7,105.14   | \$ -<br>7,105.14                | \$ 309,947.75<br>-         | \$ 309,947.75<br>-            | \$ 8,117.60<br>-                 | \$ -                 |
| <b>Subtotal CFDA# 10.553</b>   |                |                |                          |                | <b>\$ 560,954.43</b>        | <b>\$ 308,935.29</b>        | <b>\$ 7,105.14</b>              | <b>\$ 309,947.75</b>       | <b>\$ 309,947.75</b>          | <b>\$ 8,117.60</b>               | <b>\$ -</b>          |
| National School Lunch Program  | I              | 10.555         |                          | 14/15<br>13/14 | 672,620.04<br>586,008.41    | 657,944.88<br>12,675.14     | -<br>12,675.14                  | 672,620.04<br>-            | 672,620.04<br>-               | 14,675.16<br>-                   | -                    |
| Passed From Pennsylvania Department Of Agriculture<br>USDA Donated Commodities (e) | I              | 10.555         |                          | 14/15<br>13/14 | 79,832.93<br>78,015.53      | 79,832.93<br>-              | a<br>(18,523.75) b              | 61,252.87<br>18,523.75     | 61,252.87<br>18,523.75        | c<br>(18,580.06) d               | 18,580.06            |
| <b>Subtotal CFDA #10.555</b>   |                |                |                          |                | <b>1,416,476.91</b>         | <b>750,452.95</b>           | <b>(5,848.61)</b>               | <b>752,396.66</b>          | <b>752,396.66</b>             | <b>(3,904.90)</b>                | <b>18,580.06</b>     |
| Passed from Pennsylvania Department of Education<br>Summer Food Program            | I              | 10.559         |                          | 14/15          | 10,430.05                   | 7,264.62                    | -                               | 10,430.05                  | 10,430.05                     | 3,165.43                         | -                    |
| <b>Subtotal CFDA# 10.559</b>   |                |                |                          |                | <b>10,430.05</b>            | <b>7,264.62</b>             | <b>-</b>                        | <b>10,430.05</b>           | <b>10,430.05</b>              | <b>3,165.43</b>                  | <b>-</b>             |
| <b>Total Child Nutrition Cluster</b>   |                |                |                          |                | <b>\$ 1,987,861.39</b>      | <b>\$ 1,066,652.86</b>      | <b>\$ 1,256.53</b>              | <b>\$ 1,072,774.46</b>     | <b>\$ 1,072,774.46</b>        | <b>\$ 7,378.13</b>               | <b>\$ 18,580.06</b>  |
| <b>Department of Education</b>   |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Passed through the PA Department of Education                                      |                |                |                          |                |                             |                             |                                 |                            |                               |                                  |                      |
| Title II-Improving Teacher Quality   | I              | 84.367         | 020-150362<br>020-140362 | 14/15<br>13/14 | \$ 186,710.00<br>185,755.00 | \$ 149,414.00<br>86,681.40  | \$ -<br>33,889.82               | \$ 159,905.59<br>52,791.58 | \$ 159,905.59<br>52,791.58    | \$ 10,491.59<br>-                | \$ 26,804.41         |
| <b>Subtotal CFDA# 84.367</b>   |                |                |                          |                | <b>372,465.00</b>           | <b>236,095.40</b>           | <b>33,889.82</b>                | <b>212,697.17</b>          | <b>212,697.17</b>             | <b>10,491.59</b>                 | <b>26,804.41</b>     |
| Passed through the Intermediate Unit #1<br>Race to the Top - Phrase III - ARRA     | I              | 84.413A        |                          | 12/13          | 50,247.00                   | 32,871.23                   | 26,682.50                       | 7,095.73                   | 7,095.73                      | 907.00                           | -                    |
| <b>Total Department of Education</b>   |                |                |                          |                | <b>\$ 422,712.00</b>        | <b>\$ 268,966.63</b>        | <b>\$ 60,572.32</b>             | <b>\$ 219,792.90</b>       | <b>\$ 219,792.90</b>          | <b>\$ 11,398.59</b>              | <b>\$ 26,804.41</b>  |
| <b>Grand Total</b>   |                |                |                          |                | <b>\$ 3,985,158.39</b>      | <b>\$ 2,340,040.29</b>      | <b>\$ 149,877.93</b>            | <b>\$ 2,232,596.64</b>     | <b>\$ 2,232,596.64</b>        | <b>\$ 42,434.28</b>              | <b>\$ 196,577.11</b> |

Footnotes:

- (a) Total amount of Commodities received from Dept of Agriculture
- (b) Beginning inventory at July 1
- (c) Total amount of Commodities Used
- (d) Ending inventory at June 30



# Ringgold School District

## Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2015

### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of Ringgold School District (the "School District") under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Ringgold School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Ringgold School District.

### Note 2 – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Costs Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

### Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$18,580 in inventory.