



Certified Public Accountants
and Financial Advisors

RePublic Schools Nashville
Financial Report
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
RePublic Schools Nashville
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of RePublic Schools Nashville, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of RePublic Schools Nashville as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 11 to the financial statements, RePublic Schools Nashville's net assets at June 30, 2016 were adjusted in the amount of \$207,998 due to an overstatement of expenses for the fiscal year ended June 30, 2016 that were identified in 2017. Our opinion was not modified with respect to this matter.

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 6 through 12, schedules of proportionate share of net pension liability (asset), and schedules of contributions on pages 52 through 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures



applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Organizational structure on page 58 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of RePublic Schools Nashville'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 RePublic Schools Nashville's internal control over financial reporting and compliance.

SQUAR MILNER LLP

San Diego, California
February 8, 2018

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

As management of the RePublic Schools Nashville (Organization), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Organization's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

These financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – Management Discussion and Analysis for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The Organization's ending net position was \$5,765,923.
- The change in net position for the year was an increase of \$1,178,320.
- The Organization had a deficiency of revenue under expenditures in the Governmental Funds in the amount of \$1,803,498, with an increase in the fund balance of \$196,502 when netted against the related debt proceeds in the current year compared to an excess of revenues over expenditures of \$310,127 in the previous year.
- The Organization had \$4,383,006 in additions to capital assets.
- For the fiscal year ended June 30, 2017, total revenues of \$18,360,461 were comprised of District funding – 78.76%, and federal pass-through funds – 14.99%, and other contributions and local funds – 6.25%.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements.

Basic financial statements. The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by reconciliations showing why they differ.

The Organization as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (continued)

More detailed information about the Organization's most significant funds – not the Organization as a whole is provided in the fund financial statements. Funds are accounting devices the Organization uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position*, a government-wide statement, presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

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

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* and this Discussion and Analysis support these financial statements.

In addition to the Basic Financial Statements and notes, this report also presents Required Supplementary Information and Other Supplementary Information.

Statement of Net Position

To begin our analysis, a summary of the Organization's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$5,765,923 as of June 30, 2017.

The Organization's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (continued)

TABLE 1
Condensed Statement of Net Position

	2017	2016	\$ Change	% Change
ASSETS				
Current and other assets	\$ 3,563,496	\$ 2,767,367	\$ 796,129	28.8%
Capital assets, net of depreciation	9,456,384	5,879,349	3,577,035	60.8%
TOTAL ASSETS	<u>13,019,880</u>	<u>8,646,716</u>	<u>4,373,164</u>	50.6%
DEFERRED OUTFLOW OF RESOURCES				
Pension related costs	<u>1,320,345</u>	<u>1,502,150</u>	<u>(181,805)</u>	-12.1%
LIABILITIES AND NET POSITION				
Current liabilities	3,106,665	1,671,860	1,434,805	85.8%
General long-term debt	<u>4,737,637</u>	<u>3,009,611</u>	<u>1,728,026</u>	100.0%
TOTAL LIABILITIES	<u>7,844,302</u>	<u>4,681,471</u>	<u>3,162,831</u>	67.6%
DEFERRED INFLOW OF RESOURCES				
Pension related costs	<u>730,000</u>	<u>1,087,790</u>	<u>(357,790)</u>	-32.9%
NET POSITION				
Net investment in capital assets	4,575,300	2,869,738	1,705,562	59.4%
Restricted	71,424	31,885	39,539	124.0%
Unrestricted	<u>1,119,199</u>	<u>1,477,982</u>	<u>(358,783)</u>	-24.3%
TOTAL NET POSTION	<u>\$ 5,765,923</u>	<u>\$ 4,379,605</u>	<u>\$ 1,386,318</u>	31.7%

Statement of Activities

The Organization's total revenues for the fiscal year ended June 30, 2017, increased by \$3,316,534 over June 30, 2016 revenues.

The Organization's total expenses increased by \$4,073,328 over June 30, 2016 expenses.

The change in net position was an increase of \$1,178,320 compared to the prior year.

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (continued)

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2017:

TABLE 2

	2017	2016	\$ Change	% Change
REVENUES				
Program revenues:				
District funding	\$ 14,461,170	\$ 11,178,947	\$ 3,282,223	29.4%
Federal revenues	2,125,507	1,977,081	148,426	7.5%
General revenues:				
Contributions and grants	586,198	1,007,676	(421,478)	-41.8%
Other local revenues	561,370	254,007	307,363	121.0%
Total revenue	17,734,245	14,417,711	3,316,534	23.0%
EXPENSES				
Student instruction and services	15,014,971	11,281,100	3,733,871	33.1%
General and administrative	1,540,954	1,201,497	339,457	28.3%
Total expenses	16,555,925	12,482,597	4,073,328	32.6%
CHANGE IN NET POSITION	\$ 1,178,320	\$ 1,935,114	\$ (756,794)	-39.1%

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Governmental Funds Budgetary Highlights

The Organization's Total Budget for the Governmental Funds for this fiscal year showed an excess of revenues over expenditures of \$1,126,407 compared to the actual amount of an excess of revenues over expenditures of \$196,504, with related debt proceeds included. The Organization's budget to actual difference for the fiscal year was \$1,322,911.

The following table presents the expenditure variances from budgeted amounts in the General Fund:

	Budgeted Amount	Actual Amount	Variance
Revenue			
State	\$ 13,913,708	\$ 14,461,170	\$ 547,462
Federal	2,191,526	2,751,723	560,197
Local	1,486,084	1,147,568	(338,516)
Expenditures			
Personnel	\$ 6,443,199	\$ 7,255,297	\$ 812,098
Employee Taxes/Benefits	1,983,536	1,736,799	(246,737)
Contracted Services	4,253,664	4,629,278	375,614
Supplies and Materials	941,242	913,094	(28,148)
Other Charges	832,708	980,993	148,285
Debt Services	(12,003,631)	265,490	12,269,121
Capital Expenses	14,014,193	2,383,006	(11,631,187)

Overall, the Organization ended the fiscal year in a stable position.

REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Capital Assets

During the 2016-2017 school year the Organization acquired \$4,383,006 in additions to capital assets.

TABLE 3
Changes in Capital Assets

	2017	2016	\$ Change	% Change
Construction in progress	\$ 3,734,024	\$ 254,595	\$ 3,479,429	1366.7%
Land	120,000	120,000	-	0.0%
Computer equipment	1,828,892	1,487,821	341,071	22.9%
Furniture and fixtures	775,952	558,517	217,435	38.9%
Leasehold Improvements	1,689,305	1,526,681	162,624	10.7%
Building	3,370,322	3,370,322	-	0.0%
Less: accumulated depreciation	(2,062,111)	(1,438,586)	(623,525)	43.3%
Total capital assets, net of depreciation	<u>\$ 9,456,384</u>	<u>\$ 5,879,350</u>	<u>\$ 3,577,034</u>	60.8%

Long-Term Debt

During the 2016-2017 school year the Organization acquired an additional \$2,000,000 in long-term debt and made payments of \$128,527 on long-term debt.

TABLE 4
Changes in Long-Term Debt

	2017	2016	\$ Change	% Change
Note payable - LLC	\$ 2,449,590	\$ 2,509,611	\$ (60,021)	-2.4%
Note Payable - NACS/RHS	431,494	500,000	(68,506)	-13.7%
Note payable - RHS	2,000,000	-	2,000,000	0.0%
Total long-term debt	<u>\$ 4,881,084</u>	<u>\$ 3,009,611</u>	<u>\$ 1,871,473</u>	62.2%

**REPUBLIC SCHOOLS NASHVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

FACTORS BEARING ON THE ORGANIZATION'S FUTURE

The Organization's outlook for future years is tied to growth. Enrollment has steadily increased since the school's inception, due to both increased popularity and class size. Per pupil funding, which makes up a majority of available funds, has steadily increased as well. The future of the organization looks bright, and cost/expenditures continue to scale appropriately.

CONTACTING THE ORGANIZATION

This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, authorities over grant funding and agencies tasked with oversight of Davidson County public schools with a general overview of the schools' finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Glenn Turtel by email: Gturtel@republiccharterschools.org, or by telephone at (615) 921-8440.

REPUBLIC SCHOOLS NASHVILLE
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current:

Cash in banks	\$ 2,709,802
Accounts receivable	746,675
Prepaid items	22,860
Capital assets, net of accumulated depreciation	9,456,384
Net pension asset	71,424
Other current assets	12,735
TOTAL ASSETS	<u>13,019,880</u>

DEFERRED OUTFLOW OF RESOURCES

Pension related costs	<u>1,320,345</u>
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LIABILITIES

Current Liabilities:

Accounts payable	1,934,155
Accrued liabilities	409,334
Unearned revenue	64,712
Net pension liability	320,100
Related party payables	234,917
Note payable, current portion	143,447
Total current liabilities	<u>3,106,665</u>

Long-term liabilities:

Note payable, less current portion	<u>4,737,637</u>
Total long-term liabilities	<u>4,737,637</u>
TOTAL LIABILITIES	<u>7,844,302</u>

DEFERRED INFLOW OF RESOURCES

Pension related costs	<u>730,000</u>
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NET POSITION

Net investment in capital assets	4,575,300
Restricted - Net pension asset	71,424
Unrestricted	1,119,199
TOTAL NET POSITION	<u><u>\$ 5,765,923</u></u>

REPUBLIC SCHOOLS NASHVILLE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses		Revenues	Net (Expenses) Revenues
	Student Instruction and Services	General and Administrative	Operating Grant and Contributions	Total Governmental Activities
GOVERNMENT ACTIVITIES				
Salaries, wages and benefits	\$ 8,469,426	\$ 620,198	\$ -	\$ (9,089,624)
Food service	528,106	-	-	(528,106)
Staff development	278,060	-	-	(278,060)
Books and supplies	910,098	2,997	-	(913,095)
Other student services - Transportation	1,290,809	-	-	(1,290,809)
Insurance	47,345	5,261	-	(52,606)
Operation and housekeeping services	735,937	-	16,586,677	15,850,740
Rental, leases, and repairs				
non-capitalized improvements	517,370		-	(517,370)
Professional/consulting services and				
operating expenditures	1,275,587	349,024	-	(1,624,611)
Communications	201,480	22,387	-	(223,867)
Depreciation	725,374	80,598	-	(805,972)
Fundraising	-	225,947		(225,947)
Other expenses	132,902	137,019	-	(269,921)
TOTAL GOVERNMENT ACTIVITIES	\$ 15,112,494	\$ 1,443,431	\$ 16,586,677	30,752
GENERAL REVENUES				
				586,198
				561,370
				1,147,568
CHANGE IN NET POSITION				1,178,320
NET POSITION - BEGINNING				4,379,605
PRIOR PERIOD ADJUSTMENT				207,998
NET POSITION - ENDING				\$ 5,765,923

REPUBLIC SCHOOLS NASHVILLE
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 2,608,765	\$ 101,037	\$ 2,709,802
Accounts receivable	746,675	-	746,675
Prepaid items	22,860	-	22,860
Other current assets	12,735	-	12,735
TOTAL ASSETS	<u>\$ 3,391,035</u>	<u>\$ 101,037</u>	<u>\$ 3,492,072</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 500,202	\$ 1,433,953	\$ 1,934,155
Accrued liabilities	396,730	12,604	409,334
Unearned revenue	64,712	-	64,712
Related party payables	234,917	-	234,917
Total liabilities	<u>1,196,561</u>	<u>1,446,557</u>	<u>2,643,118</u>
FUND BALANCE (DEFICIT)			
Unassigned	1,915,323	(1,345,520)	848,954
Total fund balance	<u>2,194,474</u>	<u>(1,345,520)</u>	<u>848,954</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,391,035</u>	<u>\$ 101,037</u>	<u>\$ 3,492,072</u>

REPUBLIC SCHOOLS NASHVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS –
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - governmental fund balance sheet	\$ 848,954
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds	9,456,384
Deferred outflows relating to pension costs which are applicable to future periods are not reported in the funds.	1,320,345
Net pension liabilities are not reported in the funds	(320,100)
Net pension assets are not reported in the funds	71,424
Deferred inflows relating to pension costs which are applicable to future periods are not reported in the funds	(730,000)
Payable for notes payable which is not due in the current period are not reported in the funds	<u>(4,881,084)</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 5,765,923</u></u>

REPUBLIC SCHOOLS NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Capital Project Fund	Total Govenmental Funds
REVENUES			
District funding	\$ 14,461,170	\$ -	\$ 14,461,170
Federal revenue	2,751,723	-	2,751,723
Contributions	586,198	-	586,198
Other local revenue	561,370	-	561,370
Total revenues	18,360,461	-	18,360,461
EXPENDITURES			
Current:			
Salaries, wages and benefits:			
Student instruction and services	8,371,903	-	8,371,903
Administration	620,195	-	620,195
Food service	528,105		528,105
Staff development	278,060	-	278,060
Books and supplies	913,094	-	913,094
Student transportation	1,290,809	-	1,290,809
Insurance	52,606	-	52,606
Operation and housekeeping services	735,937		735,937
Rental, leases, and repairs	-		
non-capitalized improvements	695,511	(178,141)	517,370
Professional/consulting services and			
operating expenditures	1,618,684	5,929	1,624,613
Communications	223,867	-	223,867
Fundraising	225,947	-	225,947
Capital outlay	783,762	3,599,244	4,383,006
Other expenses	1,321,797	(1,188,840)	132,957
Debt service:			
Principal	68,506	60,021	128,527
Interest	21,919	115,044	136,963
Total expenditures	17,750,702	2,413,257	20,163,959
Excess (deficiency) of revenues over expenditures	609,759	(2,413,257)	(1,803,498)
Other financing sources (uses)			
Proceeds from notes payable	-	2,000,000	2,000,000
Total other financing sources (uses)	-	2,000,000	2,000,000
NET CHANGE IN FUND BALANCE	609,759	(413,257)	196,502
FUND BALANCE, JULY 1	1,328,424	(675,972)	652,452
FUND BALANCE, JUNE 30	1,938,183	(1,089,229)	\$ 848,954

REPUBLIC SCHOOLS NASHVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 196,502
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	4,383,006
The depreciation of capital assets used in governmental activities is not reported in the funds.	(805,972)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(626,216)
Proceeds from the issuance of long-term debt which provides current financial resources to governmental funds	(2,000,000)
Pension costs are recognized when contributions are made in the funds but are recognized on an accrual basis for the SOA	(97,527)
Payments of notes payable are expenses in the funds but are not expenses on the SOA	<u>128,527</u>
Change in net position of governmental activities - Statement of Activities	<u><u>\$ 1,178,320</u></u>

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

RePublic Schools Nashville (Organization) was incorporated on August 9, 2010, as a Tennessee nonprofit corporation. Pursuant to the Tennessee Public Charter School Act of 2002 (“the Act”), the Organization has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state’s public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education. The Organization entered into a Charter School Agreement with the Metropolitan Board of Public Education of Nashville and Davidson County (“MNPS”) to operate the following public charter school, which are located in Nashville Tennessee: Nashville Prep (“NP”), which serves grades five through eight; Nashville Academy of Computer Sciences (“NACS”), which serves grades five through seven; Liberty Collegiate Academy (“LCA”), which serves grades five through eight; RePublic High School (“RHS”), which serves grade nine and ten. Pursuant to the Organization’s charter agreement, enrollment in the Organization is open to any student within Davidson County, Tennessee.

RePublic High School, LLC (“LLC”) was formed in December 2014 as a Tennessee nonprofit limited liability company, and is wholly-owned by the Organization. The LLC was created primarily to own real estate that is utilized by RePublic High School for its high school facility. The LLC is presented as a blended component unit within the governmental funds. GASB Statement No. 61, The Financial Reporting Entity: Omnibus, requires blending when 1) a component unit’s governing body is substantively the same as the governing body of the primary government, 2) a component unit provides services entirely, or almost entirely, to the primary government, or 3) a component unit’s total debt outstanding, includes leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government. The LLC meets all the criteria.

Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

Reporting Entity

The Organization’s financial statements include the accounts of all its operations. The Organization evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Organization’s reporting entity, as set forth in GASB Statement No. 14, The Financial Reporting Entity, and subsequently amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14, and GASB No. 61.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, include whether:

- the Organization is legally separate (can sue and be sued in its name)
- the Organization holds the corporate powers of the organization
- the Organization appoints a voting majority of the organization's board
- the Organization is able to impose its will on the organization
- the Organization has the potential to impose a financial benefit/burden on the Organization
- there is fiscal dependency by the organization on the Organization
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the Organization has no component units. Additionally, the Organization is not a component unit of any other reporting entity as defined by the GASB statement.

Basis of Presentation, Basis of Accounting

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Organization. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties. The organization has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Organization's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Organization does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The Fund Financial Statements provide information about the Organization's fund, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation, Basis of Accounting (continued)

The Organization reports the following major governmental funds:

General Fund. This is the Organization's primary operating fund. It accounts for all financial resources of the Organization not accounted for and reported in another fund.

Capital Project Fund. This is the Organization's fund which accounts for all activity related to the LLC.

Non-Major Governmental Funds:

The Organization does not have any non-major governmental funds.

Measurement Focus, Basis of Accounting

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the 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. Non exchange transactions, in which the Organization 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 the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government 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 Organization does not consider revenues collected 60 days after its fiscal year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of GASB Pronouncements

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was effective for the current fiscal year. Implementation of this GASB had no significant effect on the Organization's financial statements.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement establishes the hierarchy of GAAP for all state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. This statement became effective in fiscal year 2017. Implementation of this GASB had no significant effect on the Organization's financial statements.

Assets, Liabilities, and Equity

Cash

Cash consists of cash on hand and cash in banks. As of June 30, 2017, the Organization's cash was deposited into one financial institution.

Accounts Receivable

Receivables represent amounts due from grants or funding which have been approved but not received. All receivables are reported at estimated collectible amounts.

Use of 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.

Prepaid Expenditures

The Organization has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The Organization has chosen to report the expenditure during the benefitting period.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Capital Assets

Property and equipment are recorded at acquisition cost less accumulated depreciation, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-nine years. The Organization follows the practice of capitalizing all expenditures for property and equipment items over \$500.

Interfund Transactions

Interfund transactions are reflected as loans, services, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to (from) other funds” or “advances to/from other funds”.

Compensated Absences

No accrual for compensated absences is necessary for the Organization’s faculty/staff because the summer months, during which classes are not in session, is considered employees’ vacation. The administrative employees of the Organization follow the same schedule as the teachers and other employees of the Organization; therefore, no compensated absences accrual for any employees of the Organization is appropriate.

Debt

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources relating to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between project and actual investment earnings, and changes in the proportion of the net pension liability.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Organization reports the following deferred inflow of resources relating to pensions: Differences between expected and actual experience and differences between projected and actual investment earnings. The Organization also reports as deferred inflows of resources contribution and grants which have time requirements for future periods.

Pensions

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

Grant Revenue

The Organization received Federal financial assistance through state agencies. The expenditure of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Organization as of June 30, 2017.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Net Position and Fund Balance Reserves and Designations

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investments in capital assets, restricted, and unrestricted.

- Net investment in capital assets. This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of any related debt reduce this category.
- Restricted Net Position. This category represents external restrictions composed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by the law through constitutional provisions or enabling legislation.
- Unrestricted Net Position. This category represents the remaining net position of the JPA that does not meet the definition of the above two categories.

The Organization has adopted GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- Nonspendable, such as fund balance associated with revolving funds, inventories, pre-paid expenses, long-term loans and notes receivable, and property held for resale.
- Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Directors.
- Assigned fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classification.

When the Organization incurs an expense for which both restricted and unrestricted resources may be used, it is the Organization's policy to use restricted resources first, then unrestricted resources.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Net Position and Fund Balance Reserves and Designations (continued)

When the Organization incurs an expenditure for which committed, assigned, or unassigned amounts may be used, it is the Organization's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policy

The Organization is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

Budgetary Comparison Statement

The Organization is not required to adopt a legally binding budget; therefore, no budgetary comparison statement of the General Fund has been presented.

2. CASH

Cash at June 30, 2017, consisted of the following:

Cash in banks	\$ 2,709,802
Total	<u>\$ 2,709,802</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2017, the Organization had a total of \$3,057,981 in excess of FDIC insured limits.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

3. ACCOUNTS RECEIVABLE

Accounts Receivable as of June 30, 2017, consisted of the following:

Federal Government:	
Federal Programs	\$ 476,077
State Government:	
State Programs	2,758
Other Local Sources	
Philanthropy & other receivables	267,840
Total accounts receivable	<u>\$ 746,675</u>

4. CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal year ended June 30, 2017, is shown below:

	Beginning 2017	Additions	Deletions	Ending 2017
Capital assets, not being depreciated				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Construction in progress	254,595	3,479,429	-	3,734,024
Total capital assets, not being depreciated	<u>374,595</u>	<u>3,479,429</u>	<u>-</u>	<u>3,854,024</u>
Capital assets, being depreciated:				
Computer equipment	1,487,821	523,518	(182,447)	1,828,892
Furniture and fixtures	558,517	217,435	-	775,952
Building	3,370,322	-	-	3,370,322
Leasehold Improvements	1,526,681	162,624	-	1,689,305
Total capital assets, being depreciated	<u>6,943,341</u>	<u>903,577</u>	<u>(182,447)</u>	<u>7,664,471</u>
Accumulated depreciation	<u>(1,438,586)</u>	<u>(805,972)</u>	<u>182,447</u>	<u>(2,062,111)</u>
Capital assets, net of depreciation	<u>\$ 5,879,350</u>	<u>\$ 3,577,034</u>	<u>\$ -</u>	<u>\$ 9,456,384</u>
Governmental activities:				
Student instruction				\$ 725,374
Administration				80,598
Total depreciation				<u>\$ 805,972</u>

During the fiscal year ended June 30, 2017, a total of \$805,972 was charged to depreciation expense.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. LONG-TERM OBLIGATIONS

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2017, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Note payable - LLC	\$ 2,509,611	\$ -	\$ (60,021)	\$ 2,449,590	\$ 48,701
Note payable - NACS and RHS	500,000	-	(68,506)	431,494	94,746
Note payable - RHS	-	2,000,000	-	2,000,000	-
Total Governmental Activities	<u>\$ 3,009,611</u>	<u>\$ 2,000,000</u>	<u>\$(128,527)</u>	<u>\$ 4,881,084</u>	<u>\$ 143,447</u>

Notes Payable

On September 4, 2015, the Organization entered into a loan agreement with Pinnacle Bank in the principal amount of \$500,000, with interest at 4.125% per annum, with monthly principal and interest payments of \$9,249. The loan matures on September 4, 2021. The loan is secured by assets of the Organization (excluding RHS, LLC), guaranteed by a donor and contains a restrictive minimum fixed charge coverage covenant. The Organization was in compliance at June 30, 2017. Accrued interest at June 30, 2017 was \$1,286. The outstanding balance at June 30, 2017 was \$431,494.

On January 15, 2015, the Organization entered into a loan agreement with the Self-Help Ventures Fund in the principal amount of \$2,560,000, with interest at 4.05% per annum, with monthly principal and interest payments of \$16,718. On March 31, 2017, the loan was amended and the interest rate increased to 6.05% per annum. The loan matures on July 1, 2022. The loan is secured by real estate and guarantees by RePublic Schools Nashville and RePublic Schools, Inc. (a related party, see note 9). The outstanding balance at June 30, 2017 was \$2,449,590.

On March 31, 2017, the Organization entered into a loan agreement with the Charter School Growth Fund in the principal amount \$2,000,000, with interest at 2.75% from the date of funding. On December 31, 2019, a \$1,000,000 payment is due. The entire unpaid principal amount of this note, along with all accrued unpaid interest is due July 1, 2022. The loan is unsecured. Accrued interest at June 30, 2017 was \$13,139. The outstanding balance at June 30, 2017 was \$2,000,000.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. LONG-TERM OBLIGATIONS (continued)

Notes Payable (continued)

As of June 30, 2017, debt service requirements for the Organization are as follows:

Notes Payable Year Ending June 30,	Principal	Interest	Total
2018	143,447	166,745	310,192
2019	152,059	159,544	311,603
2020	999,821	311,782	1,311,603
2021	167,571	144,032	311,603
2022	91,557	136,822	228,379
Thereafter	3,326,629	99,705	3,426,334
	<u>\$4,881,084</u>	<u>\$1,018,630</u>	<u>\$5,899,714</u>

Revolving Line of Credit

On March 24, 2017, the Organization entered into an unsecured revolving line of credit for \$800,000 with Pinnacle Bank, at prime rate plus 0.5% (4.75 % at June 30, 2017). The line of credit matures March 23, 2018. The outstanding balance was \$0 as of June 30, 2017.

Operating Leases

The Organization has entered into operating leases for facilities with Metro Nashville Public Schools for Nashville Prep, Nashville Academy of Computer Sciences, and Liberty Collegiate Academy. The lease requires monthly rent payments, are subject to annual rent increases, and expire June 30, 2023 and June 30, 2025. The Organization is entitled to rent credits against the payment of rent in an amount equal to the Organization's improvement of expenditures up to 50% of the total cost of the lease.

The Organization has an interfund lease agreement with RePublic High School, LLC ("LLC") for RePublic High School's facility. The agreement requires monthly rent payments and expires in August 2030. The Organization has eliminated rent and income expense totaling \$178,141 in the government-wide financial statements.

The Organization entered into an operating lease agreement for modular classrooms located at Nashville Prep. The lease requires monthly rent payments, and expires on June 30, 2023.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. LONG-TERM OBLIGATIONS (continued)

Operating Leases (continued)

As of June 30, 2017, future minimum rental payments required under the non-cancellable operating leases are as follows:

Year Ending	Lease
June 30,	Payments
2018	\$ 876,129
2019	1,521,803
2020	1,527,591
2021	1,533,495
2022	1,539,517
Thereafter	10,190,863
Total future minimum payments	<u><u>\$ 17,189,398</u></u>

Other than the inter-fund lease agreement with the LLC, The Organization will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. For the fiscal year ended June 30, 2017, operating lease expense was \$332,562.

6. RETIREMENT PLAN

Hybrid

Pension

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

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of RePublic Schools Nashville is provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Plan Description (continued)

Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits.

A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent except in years when the maximum funded level as established by the TCRS Board of Trustees is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by RePublic Schools Nashville for the year ended June 30, 2017 to the Teacher Retirement Plan were \$170,454, which is 4.00 percent of covered payroll. The employer rate when combined with member contributions is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Asset

At June 30, 2017, RePublic Schools Nashville reported an asset of \$71,424 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. RePublic Schools Nashville proportion of the net pension asset was based on RePublic Schools Nashville share of contributions to the pension plan relative to the contributions of all participating LEAs.

At the measurement date of June 30, 2016, RePublic Schools Nashville proportion was 0.686910 percent. The proportion measured as of June 30, 2015 was 0.079260 percent.

Pension Expense

For the year ended June 30, 2016, the Organization recognized a pension expense of \$60,029.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, the Organization reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,921	\$ 8,235
Net difference between projected and actual earning on pension plan investments	11,695	-
Changes in proportion of Net Pension Liability (Asset)	4,652	2,124
Contributions subsequent to the measurement date of June 30, 2016	170,454	not applicable
Total	\$ 193,722	\$ 10,359

The Organization's employer contributions of \$170,454 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2018.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Deferred outflows of resources and deferred inflows of resources (continued)

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
2018	\$ 3,102
2019	3,102
2020	3,102
2021	2,545
2022	38
Thereafter	1,021

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

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Inflation	3 Percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Hybrid (continued)

Discount Rate

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.5%	Discount Rate (7.5%)	1% Increase 8.5%
Organization's proportionate share share of the net pension liability (asset)	\$ 33,728	\$ (71,423)	\$ (148,899)

Pension Plan Fiduciary Net Position

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

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy

Plan Description

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

Benefits Provided

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

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy (continued)

Contribution

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Organization for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$170,454, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability

At June 30, 2017, the Organization reported a liability of \$236,110 for its proportionate share of net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's employer contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 the Organization's proportion was 0.0377820 percent. The proportion measured as of June 30, 2015 was 0.085307 percent.

Pension Expense

For the year ended June 30, 2016, the Organization recognized a pension expense of \$119,750.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, the Organization reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,937	\$ 285,851
Net difference between projected and actual earning on pension plan investments	263,619	-
Changes in proportion of Net Pension Liability (Asset)	527,004	186,456
Contributions subsequent to the measurement date of June 30, 2016	75,304	not applicable
Total	\$ 875,864	\$ 472,307

The Organization's employer contributions of \$75,304 reported as pension related deferred outflows of resources, subsequent to the measurement date will be recognized as an increase in net pension asset in the year ended June 30, 2018. 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
2018	\$ 47,745
2019	47,745
2020	174,203
2021	104,339
2022	(45,779)
Thereafter	-

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy (continued)

Deferred outflows of resources and deferred inflows of resources (continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 Percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy (continued)

Actuarial Assumptions (continued)

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

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

Discount Rate

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

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Legacy (continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.5%	Current Discount Rate (7.5%)	1% Increase 8.5%
Organization's proportionate share share of the net pension liability (asset)	\$ 1,010,322	\$ 236,110	\$ (642,285)

Pension Plan Fiduciary Net Position

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

Metro

The Metro plan is established under the authority of the Metropolitan Charter, Article XIII. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board, created by the Metropolitan Charter. The Board is composed of ten members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publically available comprehensive annual financial report of the Metropolitan Government. That report can be obtained at www.nashville.gov.

Benefits Provided

As of July 1, 1995, Division B of the Metro Plan was established for all non-certificated employees of Metropolitan Nashville Public Schools, including charter schools, and all other Metro Government employees. Employees with an effective hire date of July 1, 1995 or later are only eligible to participate in Division B of the Metro Plan.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Metro (continued)

Benefits Provided (continued)

Normal retirement for the Organization's employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75 percent of average earnings based upon the previous 60 consecutive months of credit service which produce the highest earnings. Benefits fully vest after completing 5 years of service for employees employed on or between October 1, 2001, and December 31, 2012, who vest before leaving employment. Benefits fully vest on completing 10 years of service for employees and non-vested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefit to any plan members or beneficiaries.

Contribution

The funding policy is to provide for periodic contributions, at actuarially determined rates, that are designed to accumulate sufficient assets to pay benefits when due.

All funding is provided under an actuarially recommended employee contribution rate of 12.340% for the non-certificated employees of the Metropolitan Nashville Public Schools, including charter schools, all other Metropolitan Government employees. Contributions to the plan for the year ended June 30, 2017 totaled \$77,745.

Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial as of July 1, 2016. The Organization's employer proportion of the net pension liability was based upon the Organization's contributions to the pension plan during the year ended June 30, 2017, relative to all contributions for 2017. At the measurement date June 30, 2017 the Organization's proportion share was 0.1052474 percent. The proportion measured as of June 30, 216 was 0.1207523 percent.

Pension Expense

For the year ended June 30, 2017, The Organization recognized pension expense for the Metro plan of \$162,520.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Metro (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, the Organization reported deferred outflows of resources related to the Metro Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145,976	\$ -
Net difference between projected and actual earning on pension plan investments	-	247,335
Changes in proportion of Net Pension Liability (Asset)	104,783	-
Contributions subsequent to the measurement date of June 30, 2016	-	not applicable
Total	<u><u>\$ 250,759</u></u>	<u><u>\$ 247,335</u></u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

	<u>Year Ended June 30</u>
2018	\$ (4,037)
2019	(4,037)
2020	(18,271)
2021	(57,441)
2022	(12,899)
Thereafter	(4,673)

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Metro (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016. Actuarial assumptions are summarized below:

Inflation	2.6 Percent
Salary Increases	4.0 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent (Division A) and 1.5 percent (Division B)

Mortality rates were based on the 110% RP-2000 Healthy Annuitant Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed January 15, 2013, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2012, (3) capital market projections that were utilized as a building-block method in which best-estimates ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by target asset allocation percentage and by adding inflation of 2.5 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Metro (continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S equity	6.6%	24%
International equity	10.1%	16%
Private equity	7.6%	10%
Equity Hedge	5.8%	10%
Real estate	6.1%	10%
Core plus fixed income	1.8%	20%
Fixed income alternatives	5.6%	10%
Total		<u>100%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. RETIREMENT PLAN (continued)

Metro (continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate (continued)

	1% Decrease 6.5%	Current Discount Rate (7.5%)	1% Increase 8.5%
Organization's proportionate share share of the net pension liability (asset)	\$ 430,385	\$ 42,988	\$ (305,685)

Pension Plan Fiduciary Net Position

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

7. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Organization purchases commercial insurance. There have been no significant changes from the prior year and settlements have not exceeded coverage in any of the prior three years.

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The Organization has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grant, management believes that any required reimbursement will not be material.

Litigation

The Organization is periodically the subject of litigation and claims arising in the ordinary of its activities. However, it is management's opinion, based in the advice of legal counsel, that the potential settlement of any litigation and claims, net of applicable insurance coverage, would not materially affect financial statements of the Organization.

REPUBLIC SCHOOLS NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

9. RELATED PARTY TRANSACTIONS

School Management Services Agreement with Related Party

The Organization pays management fees to RePublic Schools, Inc. (“RSI”), a Charter Management Organization, for educational support services. Fees equal 7% of certain federal, state, and local public streams. Total management fees to RSI provided totaled \$916,400 during the year ended June 30, 2017.

Amounts due to RSI were \$234,917 as of June 30, 2017, and management expects to pay the amount due during the year ended June 30, 2018.

10. FUND BALANCE DEFICIT

The Capital Project fund balance deficit in the Balance Sheet – Governmental Funds in the amount of \$1,089,229 at June 30, 2017 is the result of continuing operations related to the RHS, and related improvements under construction at the RePublic High School facility and the timing of construction loans. This is the second year RHS has been open to students. The Organization expects to reduce or eliminate these deficits as additional grades are added to RHS in the upcoming years and as timing of loan proceeds match construction invoices.

11. PRIOR PERIOD ADJUSTMENT

The Organization’s net assets at June 30, 2016 were adjusted in the amount of \$207,998 due to an overstatement of expenses related to pension costs for the fiscal year ended June 30, 2016 identified in 2017. The overstatement is non-cash and is related to GASB 68 pension accounting adjustment and does not impact the operations of the Organization.

REQUIRED SUPPLEMENTARY INFORMATION

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
Last Fiscal Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
RePublic Schools Nahville's Proportion of the net pension liability (asset)	0.000000%	0.079260%	0.686091%
RePublic Schools Nahville's proportionate share of the net pension liability (asset)	\$ -	\$ (31,885)	\$ (71,423)
RePublic Schools Nahville's covered payroll	\$ -	\$ 1,646,812	\$ 3,018,801
RePublic Schools Nahville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-	(1.936%)	(0.0237%)
Plan fiduciary net position as a percentage of total pension liability	0.00%	127.46%	121.88%

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

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

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS
Last Fiscal Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
RePublic Schools Nashville's Proportion of the net pension liability (asset)	0.059066%	0.085307%	0.037782%
RePublic Schools Nashville's proportionate share of the net pension liability (asset)	\$ (9,598)	\$ 22,808	\$ 199,821
RePublic Schools Nashville's covered payroll	\$ 2,040,288	\$ 2,084,341	\$ 1,363,811
RePublic Schools Nashville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.47%)	1.094%	0.1731%
Plan fiduciary net position as a percentage of total pension liability	100.08%	99.81%	97.14%

The amounts presented were determined as of the measurement date.

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

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
METRO PENSION PLAN
For Fiscal Year Ended June 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
RePublic Schools Nashville's Proportion of the net pension liability (asset)	0.000000%	0.065888%	0.120752%	0.1052474%
RePublic Schools Nashville's proportionate share of the net pension liability (asset)	\$ -	\$ 45,403	\$ 267,246	\$ (84,649)
RePublic Schools Nashville's covered payroll	\$ -	\$ 342,481	\$ 657,344	\$ 630,024
RePublic Schools Nashville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-	13.26%	40.66%	7.60%
Plan fiduciary net position as a percentage of total pension liability	0.00%	97.57%	92.39%	98.64%

The amounts presented were determined as of the measurement date.

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

**REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
For the Year Ended June 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required	\$ 65,873	\$ 173,330	\$ 170,454
Contribution in relation to the contractually required contribution	<u>\$ 65,873</u>	<u>\$ 201,481</u>	<u>\$ 170,454</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (28,151)</u>	<u>\$ -</u>
RePublic Schools Nashville's Covered Payroll	\$ 1,646,812	\$ 3,018,801	\$ 4,261,358
Contributions as a percentage of RePublic Schools Nashville's covered payroll	4.00%	4.00%	4.00%

The amounts presented were determined as of the measurement date.

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

**REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
For the Year Ended June 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required	\$ 205,927	\$ 188,425	\$ 119,046	\$ 75,304
Contribution in relation to the contractually required contribution	<u>\$ 205,927</u>	<u>\$ 188,425</u>	<u>\$ 119,046</u>	<u>\$ 75,304</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RePublic Schools Nashville's Covered Payroll	\$ 2,318,998	\$ 2,084,341	\$ 1,316,881	\$ 833,013
Contributions as a percentage of RePublic Schools Nashville's covered payroll	8.88%	9.04%	9.04%	9.04%

The amounts presented were determined as of the measurement date.

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

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF CONTRIBUTIONS
METRO PENSION PLAN
For the Year Ended June 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required	\$ 66,626	\$ 61,602	\$ 101,954	\$ 77,745
Contribution in relation to the contractually required contribution	<u>\$ 66,626</u>	<u>\$ 61,602</u>	<u>\$ 101,954</u>	<u>\$ 77,745</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RePublic Schools Nashville's Covered Payroll	\$ 389,239	\$ 342,481	\$ 657,334	\$ 630,024
Contributions as a percentage of RePublic Schools Nashville's covered payroll	17.117%	17.987%	15.510	12.340%

The amounts presented were determined as of the measurement date.

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

OTHER SUPPLEMENTARY INFORMATION

REPUBLIC SCHOOLS NASHVILLE
ORGANIZATIONAL STRUCTURE
June 30, 2017

The Organization was established in August 2012. The Organization is currently operating four schools. Nashville Prep (“NP”), which serves grades five through eight; Nashville Academy of Computer Sciences (“NACS”), which serves grades five and seven; Liberty Collegiate Academy (“LCA”), which serves grades five through eight; RePublic High School (“RHS”), which serves grade nine and ten. Pursuant to the Organization’s charter agreement, enrollment in the Organization is open to any student within Davidson County, Tennessee.

The Board of Directors for the fiscal year ended June 30, 2017, was comprised of the following members:

Governing Board

Name	Office	Term	Term Expiration
Wood Caldwell	Board Member	3 years	June 30, 2019
Miranda Christy	Board Member	3 years	June 30, 2020
Mignon Francois	Board Member	3 years	June 30, 2019
Allyn Gibson	Board Secretary	3 years	June 30, 2018
Waymon Tipton	Board Treasurer	3 years	June 30, 2019

Administration

Name	Position
Jonathan Rybka	Chief Executive Officer
Glenn Turtel	Chief Financial Officer

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Entity Program Title	Pass-Through		
	Federal CFDA Number	Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Direct:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 162,560
National School Lunch Program	10.555	N/A	304,885
Total U.S. Department of Agriculture			<u>467,445</u>
U.S. Department of Education			
Direct:			
Public Charter Schools Program	84.282M	N/A	694,163
Title 1 Grants to Local Educational Agencies	84.010	N/A	551,974
Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	N/A	359,540
NCLB: Title II, Part A, Teacher Quality	84.367	N/A	17,468
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	N/A	8,355
21st Century	84.287	N/A	26,562
Total U.S. Department of Education			<u>1,658,062</u>
Total Expenditures of Federal Awards			<u>\$ 2,125,507</u>

1. NOTE ON BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards included the federal grant activity of RePublic Schools Nashville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). RePublic Schools Nashville has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

REPUBLIC SCHOOLS NASHVILLE
COMBINING STATEMENT OF NET POSITION
For the Year Ended June 30, 2017

	Nashville Preparatory Charter School	Liberte Collegiate Academy	Nashville Academy of Computer Sciences	RePublic High School	RePublic High School LLC	Intercompany Eliminations	Totals
ASSETS							
Current:							
Cash in banks	\$ 665,427	\$ 1,183,410	\$ 188,932	\$ 570,996	\$ 101,037	\$ -	\$ 2,709,802
Accounts receivable	156,732	172,621	249,463	167,859	-	-	746,675
Related party receivables, current	-	-	-	-	256,291	(256,291)	-
Prepaid items	4,262	4,925	10,107	3,566	-	-	22,860
Capital assets, net of accumulated depreciation	581,014	827,226	495,814	337,452	7,214,878	-	9,456,384
Net pension asset	26,928	24,901	11,712	7,883	-	-	71,424
Other current assets	5,200	-	2,000	5,535	-	-	12,735
Total current assets	1,439,563	2,213,083	958,028	1,093,291	7,572,206	(256,291)	13,019,880
Non-Current:							
Related party receivables, net current	-	-	-	2,000,000	-	(2,000,000)	-
Total non-current	-	-	-	2,000,000	-	(2,000,000)	-
TOTAL ASSETS	1,439,563	2,213,083	958,028	3,093,291	7,572,206	(2,256,291)	13,019,880
DEFERRED OUTFLOW OF RESOURCES							
Pension related costs	360,043	575,438	186,840	198,024	-	-	1,320,345
LIABILITIES							
Current Liabilities:							
Accounts payable	135,483	156,047	101,912	106,760	1,433,953	-	1,934,155
Accrued liabilities	95,429	110,871	91,783	98,647	12,604	-	409,334
Unearned revenue	32,433	32,279	-	-	-	-	64,712
Net pension liability	66,440	148,258	51,946	53,456	-	-	320,100
Related party payables	63,629	73,287	47,862	306,430	-	(256,291)	234,917
Note payable, current portion	-	-	47,373	47,373	48,701	-	143,447
Total current liabilities	393,414	520,742	340,876	612,666	1,495,258	(256,291)	3,106,665
Long-term liabilities:							
Note payable, less current portion	-	-	300,000	2,036,748	2,400,889	-	4,737,637
Related party payables, net current	-	-	-	-	2,000,000	(2,000,000)	-
Total long-term liabilities	-	-	300,000	2,036,748	4,400,889	(2,000,000)	4,737,637
TOTAL LIABILITIES	393,414	520,742	640,876	2,649,414	5,896,147	(2,256,291)	7,844,302
DEFERRED INFLOW OF RESOURCES							
Pension related costs	207,710	316,273	108,890	97,127	-	-	730,000
NET POSITION							
Net investment in capital assets	581,014	827,226	148,441	(1,746,669)	4,765,288	-	4,575,300
Restricted - Net pension asset	26,928	24,901	11,712	7,883	-	-	71,424
Unrestricted	590,540	1,099,379	234,949	2,283,560	(3,089,229)	-	1,119,199
TOTAL NET POSITION	\$ 1,198,482	\$ 1,951,506	\$ 395,102	\$ 544,774	\$ 1,676,059	\$ -	\$ 5,765,923

REPUBLIC SCHOOLS NASHVILLE
COMBINING STATEMENT OF ACTIVITIES
June 30, 2017

	Nashville Preparatory Charter School	Liberte Collegiate Academy	Nashville Academy of Computer Sciences	RePublic High School	RePublic High School LLC	Intercompany Eliminations	Total
GOVERNMENT ACTIVITIES							
Student Instruction and Services:							
Salaries, wages and benefits	\$ 2,272,671	\$ 2,570,069	\$ 1,769,575	\$ 1,857,114	\$ -	\$ -	\$ 8,469,429
Food service	207,049	320,580	222	255	-	-	528,106
Staff development	68,663	86,541	58,279	64,577	-	-	278,060
Books and supplies	193,778	253,260	238,121	224,939	-	-	910,098
Transportation	416,158	429,104	242,004	203,543	-	-	1,290,809
Insurance	12,824	14,770	9,646	10,105	-	-	47,345
Operation and housekeeping services	173,288	188,234	191,444	182,971	-	-	735,937
Rental, leases, and repairs							
non-capitalized improvements	171,487	142,048	145,858	236,118	(178,141)	-	517,370
Professional/consulting services and							
operating expenditures	357,588	377,008	269,553	271,438	-	-	1,275,587
Communications	50,095	40,307	56,718	54,360	-	-	201,480
Depreciation	189,781	204,260	132,508	85,289	113,536	-	725,374
Other expenses	12,240	32,684	31,205	56,773	-	-	132,902
Total student instruction and services	4,125,622	4,658,865	3,145,133	3,247,482	(64,605)	-	15,112,497
General and Administration:							
Salaries, wages and benefits	160,642	187,027	117,397	155,129	-	-	620,195
Instructional	666	1,012	1,177	142	-	-	2,997
Insurance	1,425	1,641	1,072	1,123	-	-	5,261
Professional/consulting services and							
operating expenditures	87,394	103,979	73,555	78,165	5,931	-	349,024
Communications	5,566	4,479	6,302	6,040	-	-	22,387
Depreciation	21,087	22,696	14,723	9,477	12,615	-	80,598
Fundraising	58,822	69,609	47,782	49,734	-	-	225,947
Other expenses	309,855	310,755	4,475	585,731	115,043	(1,188,840)	137,019
Total general and administrative	645,457	701,198	266,483	885,541	133,589	(1,188,840)	1,443,428
TOTAL EXPENSES	4,771,079	5,360,063	3,411,616	4,133,023	68,984	(1,188,840)	16,555,925
Program Revenues:							
District funding	3,915,955	4,513,816	2,945,631	3,085,768	-	-	14,461,170
Federal funding	438,783	696,054	464,776	525,894	-	-	2,125,507
Total program revenues	4,354,738	5,209,870	3,410,407	3,611,662	-	-	16,586,677
General Revenues:							
Contributions	44,438	68,485	32,864	440,411	1,188,840	(1,188,840)	586,198
Other local revenue	160,594	135,237	173,207	92,332	-	-	561,370
Total general revenues	205,032	203,722	206,071	532,743	1,188,840	(1,188,840)	1,147,568
TOTAL REVENUES	4,559,770	5,413,592	3,616,478	4,144,405	1,188,840	(1,188,840)	17,734,245
CHANGE IN NET POSITION	(211,309)	53,529	204,862	11,382	1,119,856	-	1,178,320
NET POSITION, BEGINNING OF YEAR	1,358,838	1,825,116	141,611	497,837	556,203	-	4,379,605
PRIOR PERIOD ADJUSTMENT	50,953	72,861	48,629	35,555	-	-	207,998
NET POSITION, END OF THE YEAR	\$ 1,198,482	\$ 1,951,506	\$ 395,102	\$ 544,774	\$ 1,676,059	\$ -	\$ 5,765,923

REPUBLIC SCHOOLS NASHVILLE
COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017

	General Fund					Capital Project Fund		
	Nashville Preparatory Charter School	Liberty Collegiate Academy	Nashville Academy of Computer Sciences	RePublic High School	Totals	RePublic High School LLC	Intercompany Eliminations	Totals
ASSETS								
Cash on hand and in banks	\$ 665,427	\$ 1,183,410	\$ 188,932	\$ 570,996	\$ 2,608,765	\$ 101,037	\$ -	\$ 2,709,802
Accounts receivable	156,732	172,621	249,463	167,859	746,675	-	-	746,675
Related party receivables	-	-	-	-	-	256,291	(256,291)	-
Prepaid items	4,262	4,925	10,107	3,566	22,860	-	-	22,860
Other current assets	5,200	-	2,000	5,535	12,735	-	-	12,735
TOTAL ASSETS	<u>\$ 831,621</u>	<u>\$ 1,360,956</u>	<u>\$ 450,502</u>	<u>\$ 747,956</u>	<u>\$ 3,391,035</u>	<u>\$ 357,328</u>	<u>\$ (256,291)</u>	<u>\$ 3,492,072</u>
LIABILITIES								
Accounts payable	\$ 135,483	\$ 156,047	\$ 101,912	\$ 106,760	\$ 500,202	\$ 1,433,953	\$ -	\$ 1,934,155
Accrued liabilities	95,429	110,871	91,783	98,647	396,730	12,604	-	409,334
Unearned revenue	32,433	32,279	-	-	64,712	-	-	64,712
Related party payables	63,629	73,287	47,862	306,430	491,208	-	(256,291)	234,917
Total liabilities	<u>326,974</u>	<u>372,484</u>	<u>241,557</u>	<u>511,837</u>	<u>1,452,852</u>	<u>1,446,557</u>	<u>(256,291)</u>	<u>2,643,118</u>
FUND BALANCE								
Unassigned	504,647	988,472	208,945	236,119	1,938,183	(1,089,229)	-	848,954
Total fund balance	<u>504,647</u>	<u>988,472</u>	<u>208,945</u>	<u>236,119</u>	<u>1,938,183</u>	<u>(1,089,229)</u>	<u>-</u>	<u>848,954</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 831,621</u>	<u>\$ 1,360,956</u>	<u>\$ 450,502</u>	<u>\$ 747,956</u>	<u>\$ 3,391,035</u>	<u>\$ 357,328</u>	<u>\$ (256,291)</u>	<u>\$ 3,492,072</u>

REPUBLIC SCHOOLS NASHVILLE
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2017

	General Fund					Capital Project Fund		
	Nashville Preparatory Charter School	Liberty Collegiate Academy	Nashville Academy of Computer Sciences	RePublic High School	Totals	RePublic High School LLC	Intercompany Eliminations	Totals
REVENUES								
District funding	\$ 3,915,955	\$ 4,513,816	\$ 2,945,631	\$ 3,085,768	\$ 14,461,170	\$ -	\$ -	\$ 14,461,170
Federal revenue	472,190	732,650	680,355	866,528	2,751,723	-	-	2,751,723
Contributions	44,438	68,485	32,864	440,411	586,198	1,188,840	(1,188,840)	586,198
Other local revenue	160,594	135,237	173,207	92,332	561,370	-	-	561,370
Total revenues	4,593,177	5,450,188	3,832,057	4,485,039	18,360,461	1,188,840	(1,188,840)	18,360,461
EXPENDITURES								
Current:								
Salaries, wages and benefits:								
Student instruction and services	2,253,024	2,521,750	1,734,941	1,862,188	8,371,903	-	-	8,371,903
Administration	160,642	187,027	117,397	155,129	620,195	-	-	620,195
Food service	207,049	320,580	222	254	528,105	-	-	528,105
Staff development	68,663	86,541	58,279	64,577	278,060	-	-	278,060
Books and supplies	194,444	254,272	239,298	225,080	913,094	-	-	913,094
Student transportation	416,158	429,104	242,004	203,543	1,290,809	-	-	1,290,809
Insurance	14,249	16,411	10,718	11,228	52,606	-	-	52,606
Operation and housekeeping services	173,288	188,234	191,444	182,971	735,937	-	-	735,937
Rental, leases, and repairs	-	-	-	-	-	-	-	-
non-capitalized improvements	171,487	142,048	145,858	236,118	695,511	(178,141)	-	517,370
Professional/consulting services and operating expenditures	444,982	480,987	343,108	349,607	1,618,684	5,929	-	1,624,613
Communications	55,661	44,786	63,020	60,400	223,867	-	-	223,867
Fundraising	58,822	69,609	47,782	49,734	225,947	-	-	225,947
Capital outlay	157,769	190,740	246,528	188,725	783,762	3,599,244	-	4,383,006
Other expenses	316,155	336,601	31,217	637,824	1,321,797	-	(1,188,840)	132,957
Debt service:								
Principal	-	-	34,253	34,253	68,506	60,021	-	128,527
Interest	5,937	6,838	4,466	4,678	21,919	115,044	-	136,963
Total expenditures	4,698,330	5,275,528	3,510,535	4,266,309	17,750,702	3,602,097	(1,188,840)	20,163,959
Excess (deficiency) of revenues over expenditures	(105,153)	174,660	321,522	218,730	609,759	(2,413,257)	-	(1,803,498)
Other financing sources (uses)								
Proceeds from notes payable	-	-	-	-	-	2,000,000	-	2,000,000
Total other financing sources (uses)	-	-	-	-	-	2,000,000	-	2,000,000
NET CHANGE IN FUND BALANCE	(105,153)	174,660	321,522	218,730	609,759	(413,257)	-	196,502
FUND BALANCE, JULY 1	609,800	813,812	(112,577)	17,389	1,328,424	(675,972)	-	652,452
FUND BALANCE, JUNE 30	504,647	988,472	208,945	236,119	1,938,183	(1,089,229)	-	\$ 848,954

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Directors
RePublic Schools Nashville
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of RePublic Schools Nashville as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise RePublic Schools Nashville's basic financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RePublic Schools Nashville'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 RePublic Schools Nashville's internal control. Accordingly, we do not express an opinion on the effectiveness of RePublic Schools Nashville'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 RePublic Schools Nashville'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SQUAR MILNER LLP

San Diego, California
February 8, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
RePublic Schools Nashville
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the RePublic Schools Nashville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RePublic Schools Nashville's major federal programs for the fiscal year ended June 30, 2017. RePublic Schools Nashville'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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RePublic Schools Nashville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RePublic Schools Nashville'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 RePublic Schools Nashville's compliance.



Opinion on Each Major Federal Program

In our opinion, RePublic Schools Nashville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of RePublic Schools Nashville 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 RePublic Schools Nashville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RePublic Schools Nashville's internal control over compliance.

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

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

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

SQUAR MILNER LLP

San Diego, California
February 8, 2018

FINDINGS AND RECOMMENDATIONS

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

A) Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of RePublic Schools Nashville.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of RePublic Schools Nashville, which would be required to be reported in accordance with *Governmental Auditing Standards*, we disclosed during the audit.

B) Federal Awards

1. The auditor's report expresses an unmodified opinion on Compliance for Each Major Program on Internal Control Over Compliance Required by The Uniform Guidance.
2. No significant deficiencies or material weaknesses relating to the audit of Compliance For Each Major Program on Internal Control Over Compliance Required by The Uniform Guidance.
3. No audit findings disclosed that are required to be reported under section 200.516 Audit Findings paragraph (a) or OMB Uniformed Guidance.

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000.

Auditee qualified as low-risk auditee? Yes.

REPUBLIC SCHOOLS NASHVILLE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2017

2. FINANCIAL STATEMENT FINDINGS

None noted.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

REPUBLIC SCHOOLS NASHVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None	N/A	N/A