

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

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

I. INTRODUCTORY SECTION

RICHARD CITY-DEPTFORD SCHOOL
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June 30, 2009

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RICHARD CITY-DEPTFORD SCHOOL
School Board Members
June 30, 2009

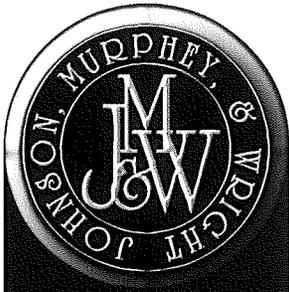
Grant C. Barham, Jr.Director

Bill Norman..... Chairman

Holly Stewart Vice-Chairman

Mark Garner Member

II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Richard City-Deptford School
South Pittsburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Richard City-Deptford School's Superintendent and Board of Education. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2010, on our consideration of Richard City-Deptford School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Richard City-Deptford School
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The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richard City-Deptford School basic financial statements. The Introductory Section, the combining and individual non-major fund financial statements, and Supplemental Information, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual non-major fund financial statements, supplemental information section and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
January 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Richard City-Deptford School (RCDS) we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the RCDS for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Richard City-Deptford School's net assets exceeded its liabilities by \$2,644,884.

Total governmental activities operated at a deficit of \$(313,985) for the year ended June 30, 2009.

During the year, RCDS spent part of the \$2,958,869 surplus left over from the year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The RCDS maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 35.

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

The basic governmental fund financial statements can be found on pages 13 through 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 22 through 33 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the notes. Combining and individual fund statements can be found on pages 35 through 39 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning RCDS. This supplementary information can be found on pages 40 through 46 of this report.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of RCDS, assets exceeded liabilities by \$2,644,884 at the close of this fiscal year.

A portion of the RCDS's net assets (76.29%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any debt used to acquire those assets that is still outstanding. The RCDS uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although RCDS's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Richard City-Deptford School's Net Assets

	Governmental Activities	
	2009	2008
Current and other assets	\$ 1,555,735	\$ 1,895,777
Capital assets	5,005,470	5,184,771
Total assets	\$ 6,561,205	\$ 7,080,548
Long-term liabilities outstanding	\$ 3,335,939	\$ 3,420,369
Other liabilities	580,382	701,310
Total liabilities	\$ 3,916,321	\$ 4,121,679
Net assets:		
Invested in capital assets - net of related debt	\$ 1,669,531	\$ 1,764,402
Restricted	16,413	13,776
Unrestricted	958,940	1,180,691
Total net assets	\$ 2,644,884	\$ 2,958,869

Less than one percent of the RCDS's net assets represents resources that are subject to external restrictions on how they may be used. Therefore, \$958,940 in unrestricted net assets may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2009, the RCDS is able to report positive balances in all three categories of net assets.

Changes in Net Assets

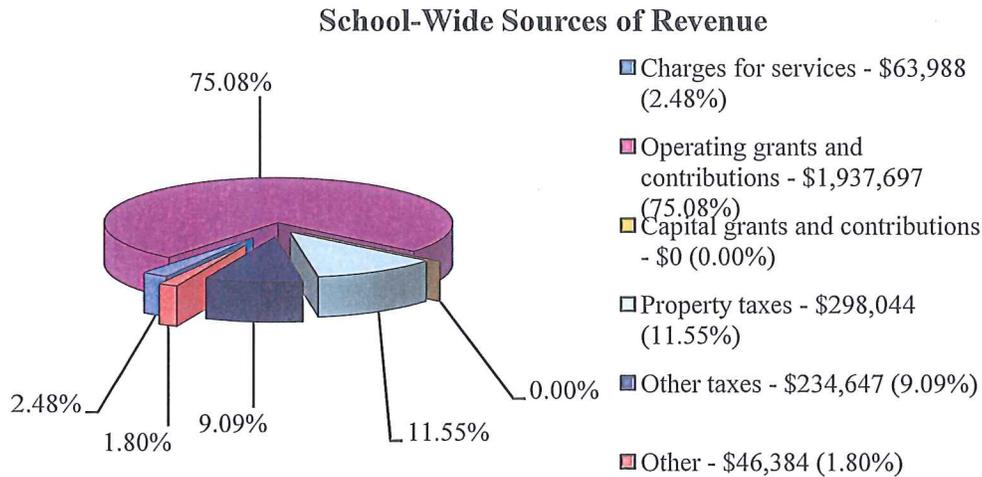
Governmental activities decreased the RCDS's net assets by \$(313,985).

The table below provides a summary of RCDS's changes in net assets.

Richard City-Deptford School's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 63,988	\$ 58,400
Operating grants and contributions	1,937,697	1,865,456
Capital grants and contributions	-	-
General revenues:		
Property taxes	298,044	371,337
Other taxes	234,647	242,303
Other	46,384	62,934
Total revenues	<u>2,580,760</u>	<u>2,600,430</u>
Expenses:		
Regular instruction	1,486,673	1,535,018
Special education program	123,137	120,097
Preschool program	-	2,356
Students and attendance	30,773	32,510
Health services	54,253	38,868
Other student support	37,897	39,608
Regular and special education support	39,699	33,042
Board of Education	48,193	51,085
Superintendent	88,416	84,709
Principal	81,322	86,352
Fiscal services	62,976	54,522
Plant operations	420,876	420,682
Maintenance of plant	35,478	33,107
Food service	134,466	130,705
Community services	5,509	5,305
Student activities	77,729	71,321
Interest on long-term debt	167,348	175,047
Total expenses	<u>2,894,745</u>	<u>2,914,334</u>
Increase (decrease) in net assets	(313,985)	(313,904)
Net assets - beginning	<u>2,958,869</u>	<u>3,272,773</u>
Net assets - end	<u>\$ 2,644,884</u>	<u>\$ 2,958,869</u>

The graphs below summarize the \$2,580,760 of the School's revenues by source.



FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year the RCDS's governmental funds reported combined ending fund balances of \$975,353.

The General Fund is the chief operating fund of the RCDS. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$958,940. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Unreserved fund balance represents 37.49% of total fund expenditures.

The fund balance of the RCDS's General Fund decreased by \$(221,751) during the current fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$14,621 and are listed below:

The major differences were:

Decrease in total revenues of \$(90,000).

Decrease in total expenses of \$(75,379).

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The RCDS's capital assets for its governmental activities as of June 30, 2009, amounted to \$58,005,470 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, and furniture, fixtures and equipment.

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

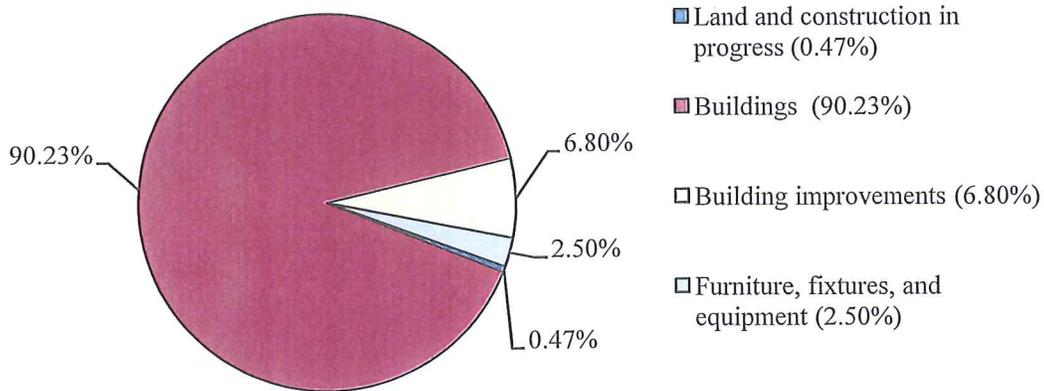
The school purchased computers, software and communications equipment for \$14,774 and built a fence for \$2,280.

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

	<u>Governmental Activities</u>
Land and construction in progress	\$ 24,000
Buildings	4,516,324
Building improvements	340,221
Furniture, fixtures and equipment	<u>124,925</u>
	<u>\$ 5,005,470</u>

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

School-Wide Capital Assets



Additional information on the school's capital assets can be found in Note 5 on page 28.

Richard City-Deptford School's Outstanding Debt

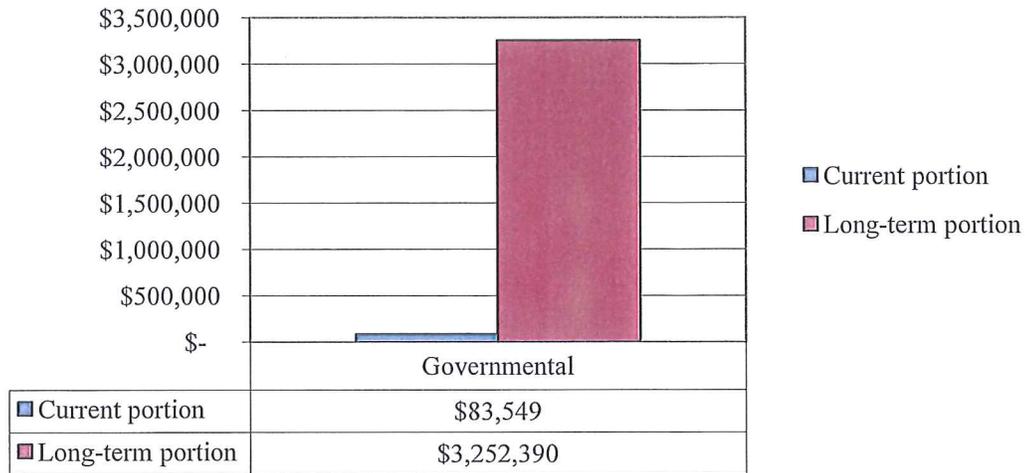
Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$3,335,939. Of this amount \$83,549 is due in the next fiscal year.

	Governmental Activities
Capital outlay note - Sequatchie Valley Electric Cooperative	\$ 3,600
School bonds - series 2000	1,405,000
School bonds - series 2004	<u>1,927,339</u>
	3,335,939
Current portion	<u>(83,549)</u>
Long-term debt	<u>\$ 3,252,390</u>

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

Long-term Debt



Additional information on long-term debt can be found in Note 6 on pages 29 and 30.

Currently Known Conditions Effecting Future Years

Marion County issued school bonds which RCDS received over \$1.4 million as their share during the fiscal year ended June 30, 2007. The bonds will be repaid by Marion County through an increase in sales tax. During the year ended June 30, 2007, RCDS repaid their \$800,000 School Bond - Series 2007, in fiscal year ended June 30, 2008 used part of the proceeds to cover the deficit for June 30, 2008 and 2009, and plans to use the balance to cover any deficits in future years.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

RICHARD CITY-DEPTFORD SCHOOL
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 145,829
Investments	996,502
Property tax receivable	277,700
Sales tax receivable	15,112
Grant receivable	11,129
Prepaid assets	4,232
Other current assets	104,113
Other receivables	1,118
Capital assets:	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	<u>4,981,470</u>
TOTAL ASSETS	<u>\$ 6,561,205</u>
LIABILITIES	
Accounts payable	\$ 6,500
Accrued liabilities	298,784
Cash overdraft	98
Deferred property taxes	275,000
Non-current liabilities:	
Due within one year	83,549
Due in more than one year	<u>3,252,390</u>
TOTAL LIABILITIES	<u>\$ 3,916,321</u>
NET ASSETS	
Invested in capital assets - net of related debt	\$ 1,669,531
Restricted for:	
Student activities	16,413
Unrestricted	<u>958,940</u>
TOTAL NET ASSETS	<u>\$ 2,644,884</u>

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

RICHARD CITY-DEPTFORD SCHOOL

Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
Regular instruction	\$ 1,486,673	\$ 19,869	\$ 1,699,129	\$ -	\$ 232,325
Special education program	123,137	-	87,773	-	(35,364)
Students and attendance	30,773	-	-	-	(30,773)
Health services	54,253	-	-	-	(54,253)
Other student support	37,897	5,390	-	-	(32,507)
Regular and special education support	39,699	-	895	-	(38,804)
Board of Education	48,193	-	-	-	(48,193)
Superintendent	88,416	-	-	-	(88,416)
Principal	81,322	-	-	-	(81,322)
Fiscal services	62,976	-	-	-	(62,976)
Plant operation	420,876	-	-	-	(420,876)
Maintenance of plant	35,478	-	-	-	(35,478)
Food service	134,466	38,729	69,812	-	(25,925)
Community services	5,509	-	-	-	(5,509)
Student activities	77,729	-	80,088	-	2,359
Interest on long-term debt	167,348	-	-	-	(167,348)
Total primary government	<u>\$ 2,894,745</u>	<u>\$ 63,988</u>	<u>\$ 1,937,697</u>	<u>\$ -</u>	<u>\$(893,060)</u>
General revenues:					
Property taxes					298,044
Payments in lieu of taxes					2,625
Local option sales tax					218,067
Hotel-motel tax					985
Bank excise tax					6,042
Wholesale beer tax					6,730
Other statutory local taxes					198
Interest revenue					34,798
Other revenues					11,586
Total general revenues					<u>579,075</u>
Change in net assets					<u>(313,985)</u>
Net assets - beginning					<u>2,958,869</u>
Net assets - end					<u>\$ 2,644,884</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Balance Sheet
June 30, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 93,858	\$ 51,971	\$ 145,829
Investments	996,502	-	996,502
Due from other funds	38,463	-	38,463
Property tax receivable	277,700	-	277,700
Sales tax receivable	15,112	-	15,112
Grant receivable	-	11,129	11,129
Prepaid assets	4,232	-	4,232
Other current assets	104,113	-	104,113
Other receivables	-	1,118	1,118
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,529,980</u>	<u>\$ 64,218</u>	<u>\$ 1,594,198</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,500	\$ -	\$ 6,500
Accrued liabilities	289,540	9,244	298,784
Cash overdraft	-	98	98
Due to other funds	-	38,463	38,463
Deferred property taxes	275,000	-	275,000
Total liabilities	<u>571,040</u>	<u>47,805</u>	<u>618,845</u>
 Fund Balances			
Unreserved, reported in			
General fund	958,940	-	958,940
Special revenue fund	-	16,413	16,413
Total fund balances	<u>958,940</u>	<u>16,413</u>	<u>975,353</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,529,980</u>	<u>\$ 64,218</u>	<u>\$ 1,594,198</u>

The accompanying notes are an integral part of the financial statements

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Total fund balances per governmental funds balance sheet	\$ 975,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,005,470
Long-term liabilities, including bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,335,939)</u>
Net assets of governmental activities	<u>\$ 2,644,884</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local taxes	\$ 510,474	\$ -	\$ 510,474
Special school district taxes	22,217	-	22,217
Licenses and permits	144	-	144
Charges for services	25,259	-	25,259
Other local revenues	84,691	278	84,969
Intergovernmental	1,693,088	164,520	1,857,608
Student activities	-	80,088	80,088
	<u>2,335,873</u>	<u>244,886</u>	<u>2,580,759</u>
TOTAL REVENUES			
EXPENDITURES			
Current expenditures			
Regular instruction	1,433,288	55,352	1,488,640
Special education program	61,846	61,291	123,137
Students and attendance	30,773	-	30,773
Health services	59,061	-	59,061
Other student support	21,978	15,919	37,897
Regular and special education support	7,741	31,958	39,699
Board of Education	48,193	-	48,193
Superintendent	88,416	-	88,416
Principal	81,322	-	81,322
Fiscal services	55,365	-	55,365
Plant operation	224,237	-	224,237
Maintenance of plant	37,758	-	37,758
Food service	130,822	-	130,822
Community services	5,509	-	5,509
Student activities	-	77,729	77,729
Capital outlay	19,537	-	19,537
Debt service	251,778	-	251,778
	<u>2,557,624</u>	<u>242,249</u>	<u>2,799,873</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over (under) expenditures	(221,751)	2,637	(219,114)
Fund balances - beginning	<u>1,180,691</u>	<u>13,776</u>	<u>1,194,467</u>
Fund balances - end	<u>\$ 958,940</u>	<u>\$ 16,413</u>	<u>\$ 975,353</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances for total governmental funds	\$ (219,114)
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allowed over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(179,301)
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>84,430</u>
Change in net assets of governmental activities	<u>\$ (313,985)</u>

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Local taxes				
County property taxes	\$ 391,951	\$ 341,951	\$ 275,827	\$ (66,124)
Payments in lieu of taxes	3,975	3,975	2,625	(1,350)
Local option sales tax	271,170	231,170	218,067	(13,103)
Hotel-motel tax	2,500	2,500	985	(1,515)
Bank excise tax	6,369	6,369	6,042	(327)
Wholesale beer tax	10,000	10,000	6,730	(3,270)
Other statutory local taxes	385	385	198	(187)
Total local taxes	<u>686,350</u>	<u>596,350</u>	<u>510,474</u>	<u>(85,876)</u>
Special school district taxes				
City property tax	<u>20,550</u>	<u>20,550</u>	<u>22,217</u>	<u>1,667</u>
License and permits				
Marriage license	<u>200</u>	<u>200</u>	<u>144</u>	<u>(56)</u>
Charges for services				
Tuition	25,000	25,000	19,869	(5,131)
After school program	<u>8,000</u>	<u>8,000</u>	<u>5,390</u>	<u>(2,610)</u>
Total charges for services	<u>33,000</u>	<u>33,000</u>	<u>25,259</u>	<u>(7,741)</u>
Other local revenues				
Interest earned	53,000	53,000	34,520	(18,480)
Miscellaneous	4,000	4,000	9,442	5,442
Contributions and gifts	10,000	10,000	2,000	(8,000)
Lunch and snacks	<u>33,000</u>	<u>33,000</u>	<u>38,729</u>	<u>5,729</u>
Total other local revenues	<u>100,000</u>	<u>100,000</u>	<u>84,691</u>	<u>(15,309)</u>
Intergovernmental				
Education funds	1,558,048	1,558,048	1,613,769	55,721
Career ladder program	21,629	21,629	9,507	(12,122)
USDA lunch and breakfast	<u>57,000</u>	<u>57,000</u>	<u>69,812</u>	<u>12,812</u>
Total intergovernmental	<u>1,636,677</u>	<u>1,636,677</u>	<u>1,693,088</u>	<u>56,411</u>
TOTAL REVENUES	<u>2,476,777</u>	<u>2,386,777</u>	<u>2,335,873</u>	<u>(50,904)</u>

(Continued)

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES				
Current Expenditures				
Regular instruction				
Teachers	\$ 1,072,427	\$ 1,066,427	\$ 1,064,520	\$ 1,907
Career ladder program	18,000	12,000	12,000	-
Educational assistants	58,112	60,077	60,075	2
Substitute teachers	17,500	21,655	21,634	21
Other salaries and wages	28,500	18,800	18,760	40
Payroll taxes	92,383	88,133	87,947	186
Medical insurance	36,000	34,675	37,562	(2,887)
State retirement	70,070	69,270	69,419	(149)
Other contracted services	20,000	12,225	12,749	(524)
Instructional supplies and materials	27,635	15,485	17,478	(1,993)
Textbooks	12,000	4,600	4,849	(249)
Other charges	<u>20,518</u>	<u>24,818</u>	<u>26,295</u>	<u>(1,477)</u>
Total regular instruction	<u>1,473,145</u>	<u>1,428,165</u>	<u>1,433,288</u>	<u>(5,123)</u>
Special education program				
Teachers	38,824	38,024	38,024	-
Educational assistants	12,600	11,600	11,506	94
Payroll taxes	3,873	3,828	3,760	68
State retirement	2,441	2,461	2,460	1
Other contracted services	6,000	6,030	6,027	3
Other supplies and materials	<u>-</u>	<u>70</u>	<u>69</u>	<u>1</u>
Total special education program	<u>63,738</u>	<u>62,013</u>	<u>61,846</u>	<u>167</u>
Students and attendance				
Clerical personnel	27,964	28,209	28,206	3
Payroll taxes	2,139	2,139	2,114	25
Travel	1,000	200	110	90
Other supplies and materials	<u>1,000</u>	<u>400</u>	<u>343</u>	<u>57</u>
Total students and attendance	<u>32,103</u>	<u>30,948</u>	<u>30,773</u>	<u>175</u>
Health services				
Medical personnel	27,000	30,000	30,000	-
Payroll taxes	2,066	2,186	2,180	6
Drugs and medical supplies	250	256	256	-
Travel	4,100	9,330	9,327	3
Other	<u>8,429</u>	<u>17,219</u>	<u>17,298</u>	<u>(79)</u>
Total health services	<u>41,845</u>	<u>58,991</u>	<u>59,061</u>	<u>(70)</u>

(Continued)

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Other student support				
Clerical personnel	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Coaches	2,000	1,000	1,000	-
Payroll taxes	1,301	1,186	1,148	38
Other contracted services	7,650	4,350	4,350	-
Other charges	650	325	480	(155)
Total other student support	<u>26,601</u>	<u>21,861</u>	<u>21,978</u>	<u>(117)</u>
Regular and special education support				
Travel	6,500	3,625	3,621	4
Library books	3,000	1,600	1,595	5
In-service/staff development	<u>5,400</u>	<u>2,500</u>	<u>2,525</u>	<u>(25)</u>
Total regular and special education support	<u>14,900</u>	<u>7,725</u>	<u>7,741</u>	<u>(16)</u>
Board of Education				
Professional services	17,850	19,946	20,104	(158)
Dues and memberships	1,300	630	610	20
Travel	450	1,500	1,705	(205)
Insurance	15,810	16,931	16,932	(1)
Trustee commission	11,500	8,500	8,379	121
Other charges	<u>200</u>	<u>465</u>	<u>463</u>	<u>2</u>
Total Board of Education	<u>47,110</u>	<u>47,972</u>	<u>48,193</u>	<u>(221)</u>
Superintendent				
Administrative officer	65,857	65,857	65,857	-
Career ladder program	1,000	1,000	1,000	-
Secretary	7,000	7,000	7,000	-
Payroll taxes	5,650	5,650	5,645	5
Retirement	4,292	4,292	4,311	(19)
Communication	2,200	2,460	2,460	-
Dues and memberships	1,025	1,067	1,067	-
Travel	300	305	536	(231)
Other charges	<u>600</u>	<u>575</u>	<u>540</u>	<u>35</u>
Total Superintendent	<u>87,924</u>	<u>88,206</u>	<u>88,416</u>	<u>(210)</u>
(Continued)				

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Principal				
Principal	\$ 60,000	\$ 59,000	\$ 59,000	\$ -
Secretary	7,000	7,000	7,000	-
Payroll taxes	4,697	5,052	5,045	7
Medical insurance	5,600	-	-	-
State retirement	3,824	3,824	3,806	18
Communication	2,100	2,462	2,460	2
Dues and memberships	540	440	400	40
Travel	2,000	1,950	1,970	(20)
Office supplies	600	1,104	1,103	1
Other charges	525	538	538	-
Total Principal	<u>86,886</u>	<u>81,370</u>	<u>81,322</u>	<u>48</u>
Fiscal services				
Accountants/bookkeepers	43,500	43,500	43,500	-
Payroll taxes	3,328	3,328	3,301	27
Travel	500	-	-	-
Office supplies	1,500	600	512	88
Other supplies and materials	1,100	1,007	972	35
Other charges	7,400	7,060	7,080	(20)
Total fiscal services	<u>57,328</u>	<u>55,495</u>	<u>55,365</u>	<u>130</u>
Plant operation				
Custodial personnel	68,000	65,480	65,449	31
Payroll taxes	3,093	5,093	4,941	152
Other contracted services	13,600	13,755	14,337	(582)
Insurance	10,796	10,796	10,797	(1)
Custodial supplies	14,000	12,000	11,595	405
Utilities	122,000	114,860	114,802	58
Travel	1,000	350	554	(204)
Other charges	1,800	1,800	1,723	77
Other supplies and materials	500	50	39	11
Total plant operation	<u>234,789</u>	<u>224,184</u>	<u>224,237</u>	<u>(53)</u>
Maintenance of plant				
Maintenance and repairs - building	15,000	13,000	12,543	457
Maintenance and repairs - equipment	20,000	14,400	14,936	(536)
Vehicle	1,300	850	817	33
Equipment and machine parts	500	500	214	286
Other contracted services	9,000	9,250	9,248	2
Total maintenance of plant	<u>45,800</u>	<u>38,000</u>	<u>37,758</u>	<u>242</u>
(Continued)				

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

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Food service				
Cafeteria personnel	\$ 38,212	\$ 38,332	\$ 38,332	\$ -
Payroll taxes	2,961	2,941	2,933	8
Contracted services	71,800	78,450	78,442	8
Travel	1,200	650	641	9
In-service/staff development	600	50	30	20
Other charges	14,500	10,500	10,276	224
Other supplies and materials	600	60	54	6
Maintenance and repairs	100	115	114	1
Total food service	<u>129,973</u>	<u>131,098</u>	<u>130,822</u>	<u>276</u>
Community services				
Other salaries and wages	5,300	5,150	5,118	32
Other supplies and materials	2,000	-	-	-
Payroll taxes	406	406	391	15
Total community service	<u>7,706</u>	<u>5,556</u>	<u>5,509</u>	<u>47</u>
Capital outlay				
Regular instructional equipment	23,638	7,838	7,778	60
Health service equipment	500	450	221	229
Administration equipment	500	7,620	7,611	9
Plant operation equipment	6,300	300	283	17
Food service equipment	3,331	3,681	3,644	37
Total capital outlay	<u>34,269</u>	<u>19,889</u>	<u>19,537</u>	<u>352</u>
Debt service				
Principal paid on debt	71,556	80,621	84,430	(3,809)
Interest paid on debt	172,978	171,178	167,348	3,830
Total debt service	<u>244,534</u>	<u>251,799</u>	<u>251,778</u>	<u>21</u>
TOTAL EXPENDITURES	<u>2,628,651</u>	<u>2,553,272</u>	<u>2,557,624</u>	<u>(4,352)</u>
Excess (deficiency) of revenues over (under) expenditures	(151,874)	(166,495)	(221,751)	(55,256)
Fund balances - beginning	<u>1,180,691</u>	<u>1,180,691</u>	<u>1,180,691</u>	<u>-</u>
Fund balances - end	<u>\$ 1,028,817</u>	<u>\$ 1,014,196</u>	<u>\$ 958,940</u>	<u>\$ (55,256)</u>

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

RICHARD CITY-DEPTFORD SCHOOL
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Basic Financial Statements

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

Government-wide statements

The Statement of Net Assets and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the School. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis for column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Richard City-Deptford School has no business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide statements (Continued)

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

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

Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Richard City-Deptford School has no proprietary funds.

The School reports the following major governmental fund:

General Fund

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

C. Measurement Focus - Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the School's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Richard City-Deptford School has no proprietary funds.

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

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

All governmental activities of the School follow FASB ASC, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Budgets

The School is required by state statute to adopt annual budgets. The General Fund and Federal Projects Fund budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the School Board, and any authorized revisions.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

Budgeted amounts are adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. During the year, supplementary appropriations were necessary. The effect of the amendments was to decrease budgeted revenues by \$(90,000), and decrease budgeted expenditures by \$(75,379) in the General Fund. All appropriations which are not expended lapse at year-end.

E. Cash

For the purpose of reporting cash on the Statement of Net Assets, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less, when purchased to be cash equivalents, cash consists of cash-on-hand and on-deposit with financial institutions. These are classified on the Statement of Net Assets as "Cash". At June 30, 2009, there were no cash equivalents.

F. Investments

Investments are carried at market, which approximates cost, and consist of certificates of deposit. These are classified on the Statement of Net Assets as "Investments".

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

Bonds, notes or treasury bills of the United States.

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

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

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

The Local Government Investment Pool created by Title 9.

G. Interfund Transactions

Interfund Receivables and Payables

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

Transactions between Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

<u>Asset Class</u>	<u>Years</u>
Buildings	40
Furniture, fixtures and equipment	3-20
Building improvements	10-15

I. Compensated Absences

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

J. Long-term Obligations

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

K. Restricted Net Assets

The School records restrictions of net assets, which are maintained for specific purposes.

L. Prepayment of Expenditures

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

M. Estimates

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

N. Student Activity Fund

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

O. Events Occurring after Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2009, and January 26, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2009, the carrying amount of the School's deposits was \$1,142,233, and the bank balance was \$1,336,032. None of the School's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are fully insured or collateralized.

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

Cash	\$ 145,731
Investments	<u>996,502</u>
Total	<u>\$ 1,142,233</u>

Investments

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

Investments	<u>\$ 996,502</u>
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NOTE 3 - PROPERTY TAXES

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

Special School District property taxes received by the School are assessed by the Tax Assessor of Marion County, Tennessee, and collected by the County. Taxes are due October 1, and become delinquent March 1. The tax rate for the 2009 year was \$.21 per \$100 of assessed valuation.

The School also receives \$.0708 per \$100 of the total assessed valuation for Marion County. This rate is based on school attendance.

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

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

Property taxes for the 2009 levy are considered to be owed to the School as of the lien date on January 1, 2009. Therefore, the entire 2009 levy was recorded as a receivable and deferred revenue as of June 30, 2009, in the financial statements.

NOTE 4 - GRANT RECEIVABLE

Grant receivable at June 30, 2009, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title 1, Part A	\$ 1,820
IDEA - Part B	4,414
IDEA - Preschool	502
Title II, Part A	869
Title II, Part D	3,064
Innovative Programs	
Title V - Drug Free	35
Title IV - Drug Free	<u>425</u>
Total grant receivable	<u>\$ 11,129</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and construction in progress	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Capital assets being depreciated:				
Buildings	5,625,499	-	-	5,625,499
Building improvements	583,200	2,280	-	585,480
Furniture, fixtures and equipment	<u>265,770</u>	<u>14,774</u>	<u>27,391</u>	<u>253,153</u>
Total capital assets being depreciated	<u>6,474,469</u>	<u>17,054</u>	<u>27,391</u>	<u>6,464,132</u>
Less accumulated depreciation for:				
Buildings	974,013	135,162	-	1,109,175
Building improvements	206,265	38,994	-	245,259
Furniture, fixtures and equipment	<u>133,420</u>	<u>22,199</u>	<u>(27,391)</u>	<u>128,228</u>
Total accumulated depreciation	<u>1,313,698</u>	<u>196,355</u>	<u>(27,391)</u>	<u>1,482,662</u>
Total capital assets being depreciated - net	<u>5,160,771</u>	<u>(179,301)</u>	<u>-</u>	<u>4,981,470</u>
Governmental activities capital assets - net	<u>\$ 5,184,771</u>	<u>\$ (179,301)</u>	<u>\$ -</u>	<u>\$ 5,005,470</u>

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

Plant operation	<u>\$ 196,355</u>
-----------------	-------------------

NOTE 6 - LONG-TERM DEBT

A. Governmental Debt

General Fund

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

	<u>Principal Balance</u>
Capital outlay note to Sequatchie Valley Electric Cooperative, due in annual payments of \$3,600 at 0% interest, maturing in 2010.	\$ 3,600
Bonds payable - School Bond - Series 2000, due in varying annual amounts, interest rate 5.35% to 7.75%, maturing in 2025.	1,405,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$107,020, interest rate 4.25%, maturing 9/26/2043.	<u>1,927,339</u>
	3,335,939
Less current portion of governmental long-term debt	<u>(83,549)</u>
Total governmental long-term debt	<u>\$ 3,252,390</u>

NOTE 6 - LONG-TERM DEBT (Continued)

A. Governmental Debt (Continued)

General Fund (Continued)

A summary of changes in governmental long-term debt for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Amount due Within One Year
Capital outlay note	\$ 7,200	\$ -	\$ 3,600	\$ 3,600	\$ 3,600
School bonds - Series 2000	1,460,000	-	55,000	1,405,000	55,000
School bonds - Series 2004	<u>1,953,169</u>	<u>-</u>	<u>25,830</u>	<u>1,927,339</u>	<u>24,949</u>
Total	<u>\$ 3,420,369</u>	<u>\$ -</u>	<u>\$ 84,430</u>	3,335,939	<u>\$ 83,549</u>
Less: current portion of governmental Long-term debt				<u>(83,549)</u>	
Total governmental long-term debt				<u>\$ 3,252,390</u>	

Interest paid during the year ended June 30, 2009, on governmental long-term debt amounted to \$167,348.

Governmental debt service requirements to maturity including interest of \$2,627,852 is as follows:

Year ended June 30,	Principal	Interest	Total Requirements
2010	\$ 83,549	\$ 164,374	\$ 247,923
2011	86,009	159,958	245,967
2012	87,114	155,644	242,758
2013	93,267	151,220	244,487
2014	99,468	146,477	245,945
2015-2019	577,224	648,786	1,226,010
2020-2024	760,911	473,359	1,234,270
2025-2029	383,548	289,482	673,030
2030-2034	312,205	222,895	535,100
2035-2039	384,434	150,666	535,100
2040-2044	<u>468,210</u>	<u>64,991</u>	<u>533,201</u>
Total	<u>\$ 3,335,939</u>	<u>\$ 2,627,852</u>	<u>\$ 5,963,791</u>

NOTE 7 - NET ASSET RESTRICTIONS

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

Net Assets - Restricted

Restricted for Student Activities - Student activity funds in the amount of \$16,413 are legally restricted for the promotion of student activities.

NOTE 8 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the governmental-wide Statement of Net Assets. One element of that reconciliation explains that, “long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds”. The details of this \$3,335,939 difference are as follows:

Notes payable	\$ 3,600
Bonds payable	<u>3,332,339</u>
Net adjustment	<u>\$ 3,335,939</u>

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$(179,301) difference are as follows:

Depreciation expense	\$ (196,355)
Capital outlay	<u>17,054</u>
Net adjustment	<u>\$ (179,301)</u>

Another element of that reconciliation states that, “Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets”. The details of this \$84,430 difference are as follows:

Principal repayments:	
Bonds	\$ 80,830
Notes	<u>3,600</u>
Net adjustment	<u>\$ 84,430</u>

NOTE 9 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School has no material noncompliance with finance related legal and contractual provisions.

NOTE 10 - DEFINED BENEFIT PLAN

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Richard City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009, was 6.42% of annual covered payroll. The employer contribution requirement for Richard City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2009, 2008 and 2007 were \$83,529, \$81,521, and \$68,201, respectively, equal to the required contributions for each year.

NOTE 11 - COMMERCIAL INSURANCE

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

NOTE 12 - CONTINGENT LIABILITIES

As of June 30, 2009, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition.

NOTE 13 - LITIGATION AND CLAIMS

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

NOTE 14 - DEFERRED REVENUE - PROPERTY TAXES

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 0</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>

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

NOTE 15 - SALARY SUPPLEMENTS

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

NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Federal Projects Fund

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

Student Activity Fund

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

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue Funds		Total
	Federal Projects Fund	Student Activity Fund	Non-major Governmental Funds
ASSETS			
Cash	\$ 34,578	\$ 17,393	\$ 51,971
Grant receivable	11,129	-	11,129
Other receivables	-	1,118	1,118
TOTAL ASSETS	\$ 45,707	\$ 18,511	\$ 64,218
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued liabilities	\$ 7,244	\$ 2,000	\$ 9,244
Cash overdraft	-	98	98
Due to other funds	38,463	-	38,463
Total liabilities	45,707	2,098	47,805
 Fund Balances			
Unreserved	-	16,413	16,413
Total fund balances	-	16,413	16,413
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,707	\$ 18,511	\$ 64,218

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	<u>Special Revenue Funds</u>		Total Non-major Governmental Funds
	Federal Projects Fund	Student Activity Fund	
REVENUES			
Other local revenues	\$ -	\$ 278	\$ 278
Intergovernmental	164,520	-	164,520
Student activities	<u>-</u>	<u>80,088</u>	<u>80,088</u>
TOTAL REVENUES	<u>164,520</u>	<u>80,366</u>	<u>244,886</u>
 EXPENDITURES			
Current expenditures			
Regular instruction	55,352	-	55,352
Special education program	61,291	-	61,291
Other student support	15,919	-	15,919
Regular and special education support	31,958	-	31,958
Student activities	<u>-</u>	<u>77,729</u>	<u>77,729</u>
TOTAL EXPENDITURES	<u>164,520</u>	<u>77,729</u>	<u>242,249</u>
 Excess (deficiency) of revenues over (under) expenditures	-	2,637	2,637
 Fund balances - beginning	<u>-</u>	<u>13,776</u>	<u>13,776</u>
 Fund balances - end	<u>\$ -</u>	<u>\$ 16,413</u>	<u>\$ 16,413</u>

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Intergovernmental				
Title I	\$ 63,450	\$ 63,450	\$ 54,041	\$ (9,409)
Title V	894	894	894	-
Title II - Part A	43,268	43,268	19,714	(23,554)
Drug Free Tennessee	2,098	2,098	2,098	-
IDEA - Part B	91,394	91,394	80,498	(10,896)
IDEA - Preschool	<u>7,275</u>	<u>7,275</u>	<u>7,275</u>	<u>-</u>
TOTAL REVENUES	<u>208,379</u>	<u>208,379</u>	<u>164,520</u>	<u>(43,859)</u>
EXPENDITURES				
Current expenditures				
Regular instruction				
Educational assistants	43,400	43,400	41,012	2,388
Payroll taxes	3,321	3,321	3,134	187
Contracted services	250	250	250	-
Instructional materials	<u>19,631</u>	<u>19,631</u>	<u>10,956</u>	<u>8,675</u>
Total regular instruction	<u>66,602</u>	<u>66,602</u>	<u>55,352</u>	<u>11,250</u>
Special education program				
Teachers	31,492	31,492	31,244	248
Educational assistants	15,551	15,551	15,291	260
Payroll taxes	3,374	3,374	3,118	256
Retirement	2,022	2,022	2,006	16
Contracted services	10,332	10,332	7,206	3,126
Instructional materials	<u>7,802</u>	<u>7,802</u>	<u>2,426</u>	<u>5,376</u>
Total special education program	<u>70,573</u>	<u>70,573</u>	<u>61,291</u>	<u>9,282</u>

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Other student support				
Psychological personnel	\$ 13,044	\$ 13,044	\$ 12,971	\$ 73
Payroll taxes	999	999	992	7
Retirement	838	838	833	5
Evaluation and testing	100	100	90	10
Supplies	921	921	921	-
In-service/staff development	-	-	112	(112)
Total other student support	<u>15,902</u>	<u>15,902</u>	<u>15,919</u>	<u>(17)</u>
Regular and special education support				
Supervisor/coordinator	12,283	12,283	10,745	1,538
Payroll taxes	4,610	4,610	2,196	2,414
Retirement	792	792	690	102
Staff development	30,758	30,758	12,967	17,791
Other supplies/materials	2,714	2,714	2,219	495
Travel	4,145	4,145	3,141	1,004
Total regular and special education support	<u>55,302</u>	<u>55,302</u>	<u>31,958</u>	<u>23,344</u>
TOTAL EXPENDITURES	<u>208,379</u>	<u>208,379</u>	<u>164,520</u>	<u>43,859</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RICHARD CITY-DEPTFORD SCHOOL
Student Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Other local revenues				
Interest	\$ 400	\$ 400	\$ 278	\$ (122)
Student activities				
Annual	13,000	13,000	12,065	(935)
Instruction supplies	28,025	28,025	20,886	(7,139)
Magazine	-	-	5,450	5,450
School production and trips	10,000	10,000	8,480	(1,520)
Fund-raising	3,000	3,000	2,401	(599)
Miscellaneous	5,000	5,000	1,875	(3,125)
Athletics	10,000	10,000	9,250	(750)
Senior class	400	400	173	(227)
Administration	14,000	14,000	2,341	(11,659)
Class and clubs	18,800	18,800	17,167	(1,633)
Total student activities	<u>102,225</u>	<u>102,225</u>	<u>80,088</u>	<u>(22,137)</u>
TOTAL REVENUES	<u>102,625</u>	<u>102,625</u>	<u>80,366</u>	<u>(22,259)</u>
EXPENDITURES				
Current expenditures				
Annual	14,000	14,000	4,962	9,038
Instruction supplies	16,650	16,650	15,059	1,591
Magazine	-	-	3,164	(3,164)
School production and trips	8,000	8,000	8,384	(384)
Fund-raising	2,500	2,500	2,129	371
Miscellaneous	3,000	3,000	1,236	1,764
Athletics	9,200	9,200	14,526	(5,326)
Senior class	400	400	217	183
Administration	14,000	14,000	10,332	3,668
Class and clubs	17,050	17,050	17,720	(670)
Total student activities	<u>84,800</u>	<u>84,800</u>	<u>77,729</u>	<u>7,071</u>
TOTAL EXPENDITURES	<u>84,800</u>	<u>84,800</u>	<u>77,729</u>	<u>7,071</u>
Excess (deficiency) of revenues over (under) expenditures	17,825	17,825	2,637	(15,188)
Fund balances - beginning	<u>13,776</u>	<u>13,776</u>	<u>13,776</u>	<u>-</u>
Fund balances - end	<u>\$ 31,601</u>	<u>\$ 31,601</u>	<u>\$ 16,413</u>	<u>\$ (15,188)</u>

SUPPLEMENTAL INFORMATION

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program Identification Number	Balance July 1, 2008	Receipts	Expenditures	Balance June 30, 2009
FEDERAL FINANCIAL ASSISTANCE						
U.S. Department of Education						
Passed through Tennessee Department of Education:						
Elementary and Secondary Education Act - Title I, Part A						
	84.010	2009.01	\$ -	\$ 41,779	\$ 43,599	\$ 1,820
	84.010	2008.21	6,248	16,524	10,276	-
	84.010	2007.21	-	166	166	-
	84.027	2007.21	-	1,901	1,901	-
IDEA - Part B	84.027	2008.21	11,530	30,390	18,860	-
	84.027	2009.01	-	55,323	59,737	4,414
	84.027	2007.21	-	224	224	-
IDEA - Preschool	84.027	2008.21	-	2,192	2,192	-
	84.027	2009.01	-	4,357	4,859	502
Title II, Part A	84.367A	2007.21	-	5,267	5,267	-
	84.367A	2008.21	(745)	-	745	-
	84.367A	2008.21	-	9,769	10,638	869
Title II, Part D	84.367	2009.01	-	-	3,064	3,064
Innovative Programs - Title V, Part A	84.298A	2007.21	(336)	-	336	-
	84.298A	2008.21	-	523	558	35
Title IV - Drug Free	84.186	2008.01	(362)	-	362	-
	84.186	2008.21	-	322	747	425
	84.186	2009.01	-	989	989	-
Total federal financial awards			<u>\$ 16,335</u>	<u>\$ 169,726</u>	<u>\$ 164,520</u>	<u>\$ 11,129</u>

RICHARD CITY-DEPTFORD SCHOOL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

NOTE 1 - BASIS OF PRESENTATION

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

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Bonds of School Officials
Year Ended June 30, 2009

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>
Grant Barham, Jr.	Western Surety Company	\$ 5,000
Pamela Webb	Western Surety Company	\$ 100,000

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2009

SEQUATCHIE VALLEY ELECTRIC COOPERATIVE NOTE

Bearing interest at the annual rate of 0%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ 3,600</u>
Total	<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ 3,600</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2009

SCHOOL BOND - SERIES 2000

Bearing interest at the annual rate of 5.35-7.75%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 55,000	\$ 82,303	\$ 137,303
2011	60,000	78,947	138,947
2012	60,000	75,738	135,738
2013	65,000	72,467	137,467
2014	70,000	68,925	138,925
2015	75,000	65,075	140,075
2016	80,000	60,912	140,912
2017	80,000	56,353	136,353
2018	85,000	51,792	136,792
2019	90,000	46,778	136,778
2020	100,000	41,467	141,467
2021	105,000	35,468	140,468
2022	110,000	29,167	139,167
2023	115,000	22,513	137,513
2024	125,000	15,555	140,555
2025	<u>130,000</u>	<u>7,930</u>	<u>137,930</u>
Total	<u>\$ 1,405,000</u>	<u>\$ 811,390</u>	<u>\$ 2,216,390</u>

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2009

SCHOOL BOND - SERIES 2004

Bearing interest at the annual rate of 4.25%

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 24,949	\$ 82,071	\$ 107,020
2011	26,009	81,011	107,020
2012	27,114	79,906	107,020
2013	28,267	78,753	107,020
2014	29,468	77,552	107,020
2015	30,720	76,300	107,020
2016	32,026	74,994	107,020
2017	33,387	73,633	107,020
2018	34,806	72,214	107,020
2019	36,285	70,735	107,020
2020	37,827	69,193	107,020
2021	39,435	67,585	107,020
2022	41,111	65,909	107,020
2023	42,858	64,162	107,020
2024	44,680	62,340	107,020
2025	46,579	60,441	107,020
2026	48,558	58,462	107,020
2027	50,622	56,398	107,020
2028	52,773	54,247	107,020
2029	55,016	52,004	107,020
2030	57,354	49,666	107,020
2031	59,792	47,228	107,020
2032	62,333	44,687	107,020
2033	64,982	42,038	107,020
2034	67,744	39,276	107,020
2035	70,623	36,397	107,020
2036	73,625	33,395	107,020
2037	76,754	30,266	107,020
2038	80,016	27,004	107,020
2039	83,416	23,604	107,020
2040	86,962	20,058	107,020
2041	90,657	16,363	107,020
2042	94,510	12,510	107,020
2043	98,527	8,493	107,020
2044	97,554	7,567	105,121
Total	<u>\$ 1,927,339</u>	<u>\$ 1,816,462</u>	<u>\$ 3,743,801</u>

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Schedule of Tax Rates, Assessments and Taxes Receivable
June 30, 2009

<u>Year of Levy</u>	Special School District Tax Rate Per \$100 Assessment Plus Allotment	Marion County Tax Rate Per \$100 Assessment	Special School District Assessment	Marion County Assessment	Property Taxes Receivable
2009	\$.21	\$.0708	\$ 8,571,429	\$ 388,418,079	\$ 275,000
2008	\$.21	\$.0652	\$ 9,857,143	\$ 480,061,350	13
2007	\$.21	\$.0652	\$ 10,603,260	\$ 517,570,844	1,828
2006	\$.21	\$.0652	\$ 9,823,948	\$ 474,494,865	859
2005	\$.21	\$.0652	\$ 9,407,447	\$ 414,256,656	-
2004	\$.21	\$.0773	\$ 9,518,080	\$ 353,184,994	-
2003	\$.21		\$ 8,494,339		-
2002	\$.21		\$ 8,372,175		-
2001	\$.21		\$ 7,295,183		-
2000	\$.21		\$ 6,348,770		-
					<u>277,700</u>
					Less allowance for uncollectibles - see note below. <u>(-)</u>
					<u>\$ 277,700</u>

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

The Richard City-Deptford Schools receive the \$.21 special school district taxes on property in the Richard City-Deptford School District, as well as a portion of the real property taxes for Marion County that is allotted to schools. The portion they receive is adjusted based on school attendance.

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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**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 Education
Richard City-Deptford School
South Pittsburg, Tennessee

We have audited the financial statements or the governmental activities, the major fund and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Richard City-Deptford School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richard City-Deptford School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Richard City-Deptford School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 09-1 and 09-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard City-Deptford School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 09-3.

Richard City-Deptford Schools' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Richard City-Deptford Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Superintendent and the Board of Education and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
January 26, 2010

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses
June 30, 2009

SUMMARY OF AUDIT RESULTS

Opinion:

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

Internal Control Deficiencies:

During the audit of the financial statements two significant deficiencies in internal controls were disclosed, which also were considered in the aggregate to be material weaknesses.

Material Noncompliance:

One instance of noncompliance or other matters was disclosed.

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

INTERNAL CONTROL:

Finding 09-1 - Segregation of Duties (Repeat 08-1)

Criteria:

The Internal Control and Compliance Manual for Tennessee Municipalities Title 5, Chapter 1, Section 1, states that, "...no one person should have control over a complete transaction from beginning to end".

Condition Found:

Because Richard City-Deptford School has a limited number of office employees, there is not a proper segregation of duties as to cash collections, cash disbursements, general ledger adjustments, and access to other accounting records. A proper division of duties should provide a system of checks and balances so that no one person has control over a complete transaction from beginning to end.

Recommendation:

To guard against undetected errors, additional employees should be used to further divide duties. In addition, School Board members could be used to more closely monitor operations.

Management's Response:

Due to the additional expense involved, we cannot add additional financial personnel at this time. However, we will try to involve other staff where possible to reduce the risk as much as possible.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses (Continued)
June 30, 2009

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

INTERNAL CONTROL: (Continued)

Finding 09-2 - Accounting Expertise (Repeat 08-2)

Criteria:

SAS 112 and Governmental Auditing Standards A.04(m.) state in part that the lack of accounting personnel with “sufficient expertise” to properly select and implement proper accounting principals and controls, anti-fraud programs and controls, and controls over the year-end financial reporting process, including the actual preparation of year-end adjustments and financial statements is a “significant deficiency” and a strong indication of a “material weakness”.

Condition Found:

The entity did not have accounting personnel on staff that had sufficient expertise as to the selection and implementation of proper accounting principals, anti-fraud programs or controls, and they also did not have any accounting personnel on staff who were capable of preparing their own year-end adjustments and financial statements.

Recommendation:

The entity should consider the risk benefits of continuing to allow the outside auditors to perform these services for them, versus hiring an internal auditor/CPA to perform the year-end financial reporting process and provide sufficient expertise in the selection of proper accounting principals and controls.

Management’s Response:

We concur. However, even though we are aware that we cannot theoretically rely on our outside CPA as a part of our system of internal controls anymore, we feel that this is still a very important and very reliable way to safeguard our assets and report the transactions of the entity. In addition, we do not have the funds available at this time to hire a complete internal audit staff.

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses (Continued)
June 30, 2009

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

COMPLIANCE:

Finding 09-3 - Expenditures Exceeded Budget (Repeat 08-3)

Criteria:

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

Condition Found:

The School's General Fund expenditures exceeded the budgeted amount by \$4,352.

Recommendation:

The School should authorize all expenditures in the original budget ordinance or an amendment to the budget before the end of the fiscal year.

Management's Response:

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

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Prior Audit Findings
June 30, 2009

INTERNAL CONTROLS

Finding 08-1 - Segregation of Duties

Still in effect. Additional personnel not justified by management.

Finding 08-2 - Accounting Expertise

Still in effect.

COMPLIANCE

Finding 08-3 - Expenditures Exceeded Budget

Still in effect.