RICHARD CITY-DEPTFORD SCHOOL
GENERAL-PURPOSE SCHOOL FUNDS

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

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RICHARD CITY-DEPTFORD SCHOOL
School Board Members
June 30, 2010

Stan Mannon. .....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 funds and the aggregate remaining fund information of Richard City-Deptford School, as of and for the year ended June 30, 2010, 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 funds and the aggregate remaining fund information of Richard City-Deptford School, as of June 30, 2010, 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 November 19, 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.

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, Murphey & Wright, P.C.

Chattanooga, Tennessee
November 19, 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, 2010. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Richard City-Deptford School's assets exceeded its liabilities by $2,229,374 (net assets).

Total governmental activities operated at a deficit of $(415,510) for the year ended June 30, 2010.

During the year, RCDS spent part of the $2,644,884 surplus left over from the year ended June 30, 2009.

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 and Federal Projects Fund, which are considered to be major funds. Data from the other governmental fund is presented separately. Individual fund data for this non-major governmental fund is provided later in this report beginning on page 37.

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 23 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 24 through 35 of this report.

Other Information
The statements referred to earlier in connection with the non-major governmental fund, are presented immediately following the notes. Individual fund statements can be found on pages 37 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 $2,229,374 at the close of this fiscal year.

A portion of the RCDS's net assets (71.29%) 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	
	2010	2009
Current and other assets	$ 1,222,673	$ 1,555,735
Capital assets	4,844,087	5,005,470
Total assets	$ 6,066,760	$ 6,561,205
Long-term liabilities outstanding	$ 3,254,700	$ 3,335,939
Other liabilities	582,686	580,382
Total liabilities	$ 3,837,386	$ 3,916,321
Net assets:		
Invested in capital assets - net of related debt	$ 1,589,387	$ 1,669,531
Restricted	15,312	16,413
Unrestricted	624,675	958,940
Total net assets	$ 2,229,374	$ 2,644,884

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, $624,675 in unrestricted net assets may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2010, 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 $(415,510).

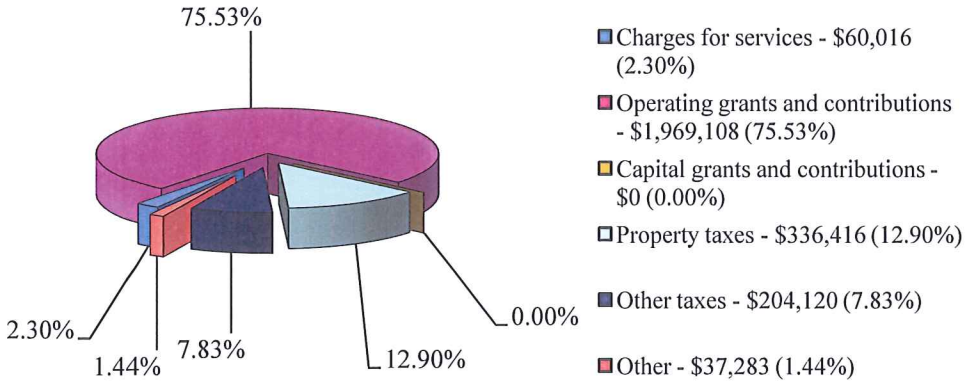
The table below provides a summary of RCDS's changes in net assets.

Richard City-Deptford School's Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	$ 60,016	$ 63,988
Operating grants and contributions	1,969,108	1,937,697
Capital grants and contributions	-	-
General revenues:		
Property taxes	336,416	298,044
Other taxes	204,120	234,647
Other	37,283	46,384
Total revenues	2,606,943	2,580,760
Expenses:		
Regular instruction	1,556,290	1,486,673
Special education program	141,495	123,137
Students and attendance	33,950	30,773
Health services	44,640	54,253
Other student support	19,696	37,897
Regular and special education support	54,623	39,699
Board of Education	46,493	48,193
Superintendent	95,994	88,416
Principal	91,229	81,322
Fiscal services	51,299	62,976
Plant operations	415,916	420,876
Maintenance of plant	31,853	35,478
Food service	138,626	134,466
Community services	5,868	5,509
Student activities	130,898	77,729
Interest on long-term debt	163,583	167,348
Total expenses	3,022,453	2,894,745
Increase (decrease) in net assets	(415,510)	(313,985)
Net assets - beginning	2,644,884	2,958,869
Net assets - end	$ 2,229,374	$ 2,644,884

The graphs below summarize the $2,606,943 of the School's revenues by source.

School-Wide Sources of Revenue



FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

Governmental Funds

The focus of the RCDS's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the RCDS's financing requirements. The 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 $639,987.

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 $624,675. 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 24.62% of total fund expenditures.

The fund balance of the RCDS's General Fund decreased by $(334,265) during the current fiscal year.

General Fund Budgetary Highlights
Differences between the original budget and the final amended budget were approximately $(41,099) and are listed below:

The major differences were:

Decrease in total revenues of $(306,840).

Decrease in total expenses of $(265,741).

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, 2010, amounted to $4,844,087 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and furniture, fixtures and equipment.

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

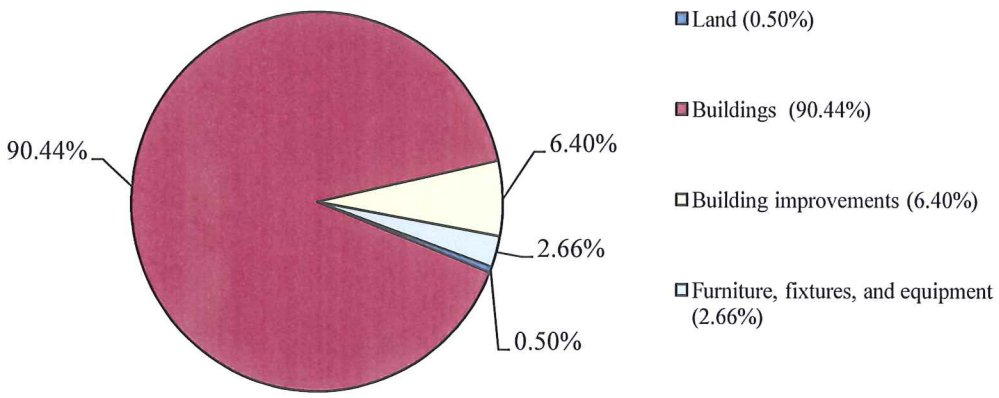
Playground equipment	$ 11,623
Flooring	$ 4,370
Two (2) HVAC	$ 6,190

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

	Governmental Activities
Land	$ 24,000
Buildings	4,381,161
Building improvements	310,137
Furniture, fixtures and equipment	128,789
	$ 4,844,087

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

School-Wide Capital Assets



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

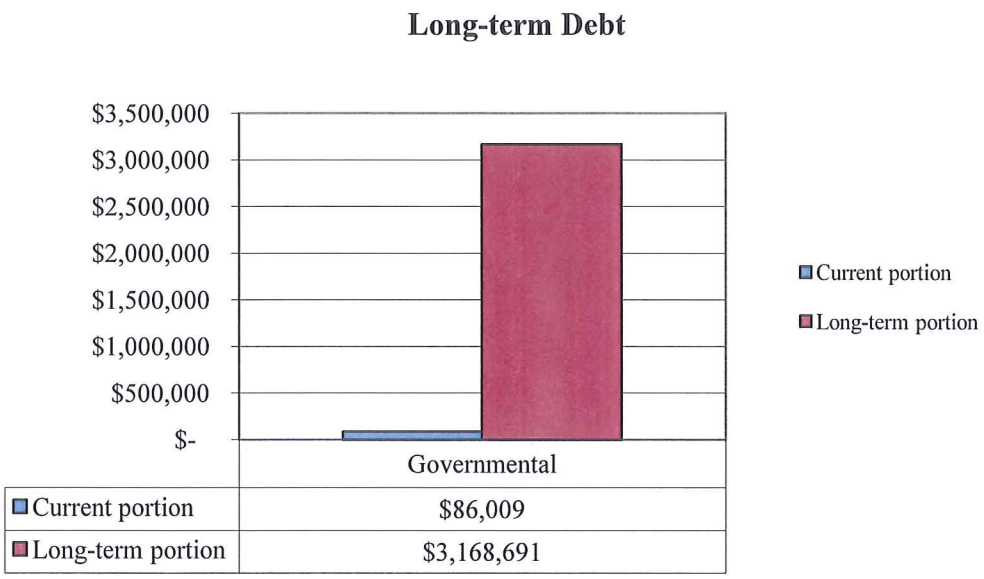
Richard City-Deptford School's Outstanding Debt

Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of $3,254,700. Of this amount $86,009 is due in the next fiscal year.

	Governmental Activities
School bonds - series 2000	$ 1,350,000
School bonds - series 2004	1,904,700
	3,254,700
Current portion	(86,009)
Long-term debt	$ 3,168,691

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



	Governmental
Current portion	$86,009
Long-term portion	$3,168,691

Additional information on long-term debt can be found in Note 6 on pages 31 and 32.

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. They used part of the proceeds to cover the deficit for June 30, 2008, 2009, and 2010 and plan to use the balance to cover any deficits in future years. Also, as older teachers retire, they will be replaced by less expensive teachers.

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, 2010

	Governmental Activities
ASSETS	
Cash	$ 96,530
Investments	724,734
Property tax receivable	277,400
Sales tax recievable	15,480
Grant receivable	78,637
Prepaid assets	1,508
Other current assets	28,385
Capital assets:	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	4,820,087
TOTAL ASSETS	$ 6,066,761
LIABILITIES	
Accounts payable	$ 9,173
Accrued liabilities	298,514
Deferred property taxes	275,000
Non-current liabilities:	
Due within one year	86,009
Due in more than one year	3,168,691
TOTAL LIABILITIES	$ 3,837,387
NET ASSETS	
Invested in capital assets - net of related debt	$ 1,589,387
Restricted for:	
Student activities	15,312
Unrestricted	624,675
TOTAL NET ASSETS	$ 2,229,374

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

RICHARD CITY-DEPTFORD SCHOOL
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
Regular instruction	$ 1,556,290	$ 8,900	$ 1,627,185	$ -	$ 79,795
Special education program	141,495	-	138,167	-	(3,328)
Students and attendance	33,950	-	-	-	(33,950)
Health services	44,640	-	-	-	(44,640)
Other student support	19,696	8,658	-	-	(11,038)
Regular and special education support	54,623	-	480	-	(54,143)
Board of Education	46,493	-	-	-	(46,493)
Superintendent	95,994	-	-	-	(95,994)
Principal	91,229	-	-	-	(91,229)
Fiscal services	51,299	-	-	-	(51,299)
Plant operation	415,916	-	-	-	(415,916)
Maintenance of plant	31,853	-	-	-	(31,853)
Food service	138,626	42,458	73,847	-	(22,321)
Community services	5,868	-	-	-	(5,868)
Student activities	130,898	-	129,429	-	(1,469)
Interest on long-term debt	163,583	-	-	-	(163,583)
Total primary government	$ 3,022,453	$ 60,016	$ 1,969,108	$ -	(993,329)
	General revenues:				
	Property taxes				336,416
	Payments in lieu of taxes				3,164
	Local option sales tax				185,825
	Hotel-motel tax				966
	Bank excise tax				5,006
	Wholesale beer tax				9,020
	Other statutory local taxes				139
	Interest revenue				9,108
	Other revenues				28,175
	Total general revenues				577,819
	Change in net assets				(415,510)
	Net assets - beginning				2,644,884
	Net assets - end				$ 2,229,374

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

RICHARD CITY-DEPTFORD SCHOOL
Governmental Funds
Balance Sheet
June 30, 2010

	General Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 57,345	$ 18,872	$ 20,313	$ 96,530
Investments	724,734	-	-	724,734
Due from other funds	34,597	-	-	34,597
Property tax receivable	277,400	-	-	277,400
Sales tax receivable	15,480	-	-	15,480
Grant receivable	56,677	21,960	-	78,637
Prepaid assets	1,508	-	-	1,508
Other current assets	28,385	-	-	28,385
TOTAL ASSETS	$1,196,126	$ 40,832	$ 20,313	$ 1,257,271
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 9,173	$ -	$ -	$ 9,173
Accrued liabilities	287,278	6,235	5,001	298,514
Due to other funds	-	34,597	-	34,597
Deferred property taxes	275,000	-	-	275,000
Total liabilities	571,451	40,832	5,001	617,284
Fund Balances				
Unreserved, reported in				
General fund	624,675	-	-	624,675
Special revenue fund	-	-	15,312	15,312
Total fund balances	624,675	-	15,312	639,987
TOTAL LIABILITIES AND FUND BALANCES	$1,196,126	$ 40,832	$ 20,313	$ 1,257,271

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, 2010

Total fund balances per governmental funds balance sheet	$ 639,987
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,844,087
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(3,254,700)
Net assets of governmental activities	$ 2,229,374

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, 2010

	General Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	$ 518,674	$ -	$ -	$ 518,674
Special school district taxes	21,862	-	-	21,862
Licenses and permits	1,049	-	-	1,049
Charges for services	17,558	-	-	17,558
Other local revenues	59,872	-	368	60,240
Intergovernmental	1,584,112	274,020	-	1,858,132
Student activities	-	-	129,429	129,429
TOTAL REVENUES	2,203,127	274,020	129,797	2,606,944
EXPENDITURES				
Current expenditures				
Regular instruction	1,463,441	105,664	-	1,569,105
Special education program	28,628	112,867	-	141,495
Students and attendance	33,950	-	-	33,950
Health services	44,471	-	-	44,471
Other student support	16,942	2,754	-	19,696
Regular and special education support	1,888	52,735	-	54,623
Board of Education	46,493	-	-	46,493
Superintendent	95,994	-	-	95,994
Principal	90,975	-	-	90,975
Fiscal services	51,232	-	-	51,232
Plant operation	220,124	-	-	220,124
Maintenance of plant	45,179	-	-	45,179
Food service	136,611	-	-	136,611
Community services	5,868	-	-	5,868
Student activities	-	-	130,898	130,898
Capital outlay	10,774	-	-	10,774
Debt service	244,822	-	-	244,822
TOTAL EXPENDITURES	2,537,392	274,020	130,898	2,942,310
Excess (deficiency) of revenues over (under) expenditures	(334,265)	-	(1,101)	(335,366)
Fund balances - beginning	958,940	-	16,413	975,353
Fund balances - end	$ 624,675	$ -	$ 15,312	$ 639,987

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, 2010

Net change in fund balances for total governmental funds	$ (335,366)
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.	(161,383)
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.	81,239
Change in net assets of governmental activities	$ (415,510)

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, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Local taxes				
County property taxes	$ 341,951	$ 309,291	$ 314,554	$ 5,263
Payments in lieu of taxes	3,975	3,164	3,164	-
Local option sales tax	231,170	168,947	185,825	16,878
Hotel-motel tax	2,500	904	966	62
Bank excise tax	6,369	-	5,006	5,006
Wholesale beer tax	10,000	7,550	9,020	1,470
Other statutory local taxes	385	126	139	13
Total local taxes	596,350	489,982	518,674	28,692
Special school district taxes				
City property tax	20,550	21,780	21,862	82
License and permits				
Beer permits	-	892	892	-
Marriage license	200	143	157	14
Total license and permits	200	1,035	1,049	14
Charges for services				
Tuition	25,000	8,900	8,900	-
After school program	8,000	8,658	8,658	-
Total charges for services	33,000	17,558	17,558	-
Other local revenues				
Interest earned	53,000	6,681	8,740	2,059
Miscellaneous	4,000	2,762	4,020	1,258
Contributions and gifts	10,000	4,654	4,654	-
Lunch and snacks	33,000	42,443	42,458	15
Total other local revenues	100,000	56,540	59,872	3,332
Intergovernmental				
Education funds	1,420,307	1,261,259	1,429,329	168,070
Education funds - ARRA	60,741	60,741	60,741	-
Career ladder program	11,129	9,695	9,695	-
Career ladder program - ARRA	10,500	10,500	10,500	-
USDA lunch and breakfast	57,000	73,847	73,847	-
Total intergovernmental	1,559,677	1,416,042	1,584,112	168,070
TOTAL REVENUES	2,309,777	2,002,937	2,203,127	200,190

(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
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES				
Current Expenditures				
Regular instruction				
Teachers	$ 996,814	$ 856,532	$ 1,039,205	$ (182,673)
Career ladder program	18,000	20,917	12,917	8,000
Educational assistants	61,274	31,353	57,953	(26,600)
Substitute teachers	17,500	54,471	54,472	(1)
Other salaries and wages	28,500	-	-	-
Payroll taxes	86,841	76,229	83,730	(7,501)
Medical insurance	39,000	39,041	40,644	(1,603)
State retirement	65,216	60,708	65,580	(4,872)
Other contracted services	13,000	62,320	64,237	(1,917)
Instructional supplies and materials	21,000	7,779	6,319	1,460
Textbooks	5,000	11,095	11,134	(39)
Other charges	15,543	4,293	27,250	(22,957)
Total regular instruction	1,367,688	1,224,738	1,463,441	(238,703)
Special education program				
Teachers	38,725	43,683	-	43,683
Educational assistants	11,062	10,135	11,025	(890)
Payroll taxes	3,755	4,072	4,140	(68)
State retirement	2,441	2,804	2,804	-
Other contracted services	6,420	7,603	7,603	-
Other supplies and materials	150	3,056	3,056	-
Total special education program	62,553	71,353	28,628	42,725
Students and attendance				
Clerical personnel	27,032	28,385	28,385	-
Payroll taxes	2,068	2,172	2,171	1
Travel	500	268	268	-
Other supplies and materials	400	1,342	3,126	(1,784)
Total students and attendance	30,000	32,167	33,950	(1,783)
Health services				
Medical personnel	27,000	27,000	30,000	(3,000)
Payroll taxes	2,066	2,066	2,295	(229)
Drugs and medical supplies	250	381	501	(120)
Travel	3,000	-	4,113	(4,113)
Other	8,700	361	7,562	(7,201)
Total health services	41,016	29,808	44,471	(14,663)

(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
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Other student support				
Clerical personnel	$ 15,000	$ 5,884	$ 6,044	$ (160)
Coaches	2,000	1,375	1,375	-
Payroll taxes	1,301	572	572	-
Other contracted services	7,650	6,350	6,350	-
Other charges	450	2,568	2,601	(33)
Total other student support	26,401	16,749	16,942	(193)
Regular and special education support				
Travel	6,500	447	796	(349)
Library books	1,000	146	146	-
In-service/staff development	2,900	946	946	-
Total regular and special education support	10,400	1,539	1,888	(349)
Board of Education				
Professional services	20,040	17,785	17,651	134
Dues and memberships	1,300	190	1,366	(1,176)
Travel	1,500	1,428	2,029	(601)
Insurance	14,372	15,702	16,701	(999)
Trustee commission	11,500	8,395	8,734	(339)
Other charges	50,400	12	12	-
Total Board of Education	99,112	43,512	46,493	(2,981)
Superintendent				
Administrative officer	65,000	65,000	65,000	-
Career ladder program	1,000	1,000	1,000	-
Secretary	7,333	7,333	7,333	-
Payroll taxes	5,610	5,604	5,603	1
Retirement	4,237	4,237	4,237	-
Communication	2,600	2,267	2,392	(125)
Dues and memberships	1,070	1,610	1,610	-
Travel	2,500	5,775	7,639	(1,864)
Other charges	1,050	995	1,180	(185)
Total Superintendent	90,400	93,821	95,994	(2,173)

(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
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Principal				
Principal	$ 57,000	$ 46,570	$ 61,750	$ (15,180)
Career ladder program	-	1,083	1,083	-
Secretary	7,333	7,333	7,333	-
Payroll taxes	4,424	3,594	4,755	(1,161)
Medical insurance	6,500	5,960	5,960	-
State retirement	3,632	3,124	4,098	(974)
Communication	2,600	2,267	2,392	(125)
Dues and memberships	540	55	55	-
Travel	2,000	1,761	1,761	-
Office supplies	250	614	614	-
Other charges	825	148	1,174	(1,026)
Total Principal	85,104	72,509	90,975	(18,466)
Fiscal services				
Accountants/bookkeepers	45,000	45,000	45,000	-
Payroll taxes	3,443	3,388	3,388	-
Travel	500	198	198	-
Office supplies	1,500	134	162	(28)
Other supplies and materials	1,100	661	661	-
Other charges	500	1,543	1,823	(280)
Total fiscal services	52,043	50,924	51,232	(308)
Plant operation				
Custodial personnel	68,000	70,794	71,449	(655)
Payroll taxes	5,202	5,181	5,243	(62)
Other contracted services	13,600	10,550	9,890	660
Insurance	11,297	11,297	11,297	-
Custodial supplies	14,000	15,401	15,541	(140)
Utilities	124,400	101,030	101,330	(300)
Travel	1,000	1,104	1,497	(393)
Other charges	1,800	3,366	3,877	(511)
Other supplies and materials	500	-	-	-
Total plant operation	239,799	218,723	220,124	(1,401)
Maintenance of plant				
Maintenance and repairs - building	15,000	12,581	13,799	(1,218)
Maintenance and repairs - equipment	24,000	19,130	20,863	(1,733)
Vehicle	1,000	972	1,051	(79)
Equipment and machine parts	500	377	406	(29)
Other contracted services	9,250	9,060	9,060	-
Total maintenance of plant	49,750	42,120	45,179	(3,059)

(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
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current Expenditures (Continued)				
Food service				
Cafeteria personnel	$ 39,815	$ 39,405	$ 39,405	$ -
Payroll taxes	3,085	3,014	3,014	-
Contracted services	78,500	81,186	81,196	(10)
Travel	700	976	1,179	(203)
In-service/staff development	200	30	580	(550)
Other charges	11,000	10,572	10,628	(56)
Other supplies and materials	200	50	50	-
Maintenance and repairs	120	559	559	-
Total food service	133,620	135,792	136,611	(819)
Community services				
Other salaries and wages	5,300	5,457	5,457	-
Other supplies and materials	2,000	-	-	-
Payroll taxes	406	411	411	-
Total community service	7,706	5,868	5,868	-
Capital outlay				
Regular instructional equipment	6,000	901	1,945	(1,044)
Health service equipment	500	160	169	(9)
Administration equipment	500	321	321	-
Plant operation equipment	6,300	-	-	-
Food service equipment	3,685	1,768	2,015	(247)
Building improvements	-	3,774	6,324	(2,550)
Total capital outlay	16,985	6,924	10,774	(3,850)
Debt service				
Principal paid on debt	71,556	77,020	81,239	(4,219)
Interest paid on debt	172,978	167,803	163,583	4,220
Total debt service	244,534	244,823	244,822	1
TOTAL EXPENDITURES	2,557,111	2,291,370	2,537,392	(246,022)
Excess (deficiency) of revenues over (under) expenditures	(247,334)	(288,433)	(334,265)	(45,832)
Fund balances - beginning	958,940	958,940	958,940	-
Fund balances - end	$ 711,606	$ 670,507	$ 624,675	$ (45,832)

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

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental				
Title I	$ 112,721	$ 112,721	$ 107,077	$ (5,644)
Title II - Part A	41,758	41,758	26,864	(14,894)
Drug Free Tennessee	3,347	3,347	1,912	(1,435)
IDEA - Part B	144,581	144,581	132,633	(11,948)
IDEA - Preschool	5,534	5,534	5,534	-
TOTAL REVENUES	307,941	307,941	274,020	(33,921)
EXPENDITURES				
Current expenditures				
Regular instruction				
Educational assistants	39,400	39,400	37,204	2,196
Payroll taxes	3,020	3,020	2,951	69
Instructional materials	51,893	51,893	47,056	4,837
Title transfer	21,104	21,104	18,453	2,651
Total regular instruction	115,417	115,417	105,664	9,753
Special education program				
Teachers	37,686	37,686	37,439	247
Educational assistants	26,850	26,850	24,146	2,704
Payroll taxes	5,092	5,092	4,665	427
Retirement	2,420	2,420	2,403	17
Contracted services	5,384	5,384	5,534	(150)
Instructional materials	55,668	55,668	38,680	16,988
Total special education program	133,100	133,100	112,867	20,233

(Continued)

RICHARD CITY-DEPTFORD SCHOOL
Federal Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Other student support				
Payroll taxes	$ 200	$ 200	$ 22	$ 178
Supplies	931	931	932	(1)
Other supplies/materials	5,034	5,034	1,800	3,234
Total other student support	6,165	6,165	2,754	3,411
Regular and special education support				
Supervisor/coordinator	26,516	26,516	24,978	1,538
Payroll taxes	5,853	5,853	4,680	1,173
Retirement	1,706	1,706	1,604	102
Staff development	23,427	23,427	13,985	9,442
Other supplies/materials	4,552	4,552	1,510	3,042
Travel	10,516	10,516	5,978	4,538
Total regular and special education support	72,570	72,570	52,735	19,835
TOTAL EXPENDITURES	327,252	327,252	274,020	53,232
Excess (deficiency) of revenues over (under) expenditures	(19,311)	(19,311)	-	(19,311)
Fund balances - beginning	-	-	-	-
Fund balances - end	$ (19,311)	$ (19,311)	$ -	$ (19,311)

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 funds:

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.

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

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 $(306,840), and decrease budgeted expenditures by $(265,741) 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, 2010, 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:

Asset Class	Years
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, 2010, and November 19, 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, 2010, the carrying amount of the School's deposits was $821,264, and the bank balance was $826,341. 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	$ 96,530
Investments	724,734
Total	$ 821,264

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	$ 724,734

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 2010 year was $.21 per $100 of assessed valuation.

The School also receives $.0648 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 2010 levy are considered to be owed to the School as of the lien date on January 1, 2010. Therefore, the entire 2010 levy was recorded as a receivable and deferred revenue as of June 30, 2010, in the financial statements.

NOTE 4 - GRANT RECEIVABLE

Grant receivable at June 30, 2010, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title 1, Part A	$ 3,673
IDEA - Part B	13,802
IDEA - Preschool	1,883
Title IV - Drug Free	29
Individuals with Disabilities Education Act	2,573
Total federal	21,960
State discretionary funds	
School Health Expansion - ARRA	22,179
Childhood Education - Pilot	34,498
Total	$ 78,637

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 24,000	$ -	$ -	$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated:				
Buildings	5,625,499	-	-	5,625,499
Building improvements	585,480	9,218	-	594,698
Furniture, fixtures and equipment	253,153	27,795	-	280,948
Total capital assets being depreciated	6,464,132	37,013	-	6,501,145
Less accumulated depreciation for:				
Buildings	1,109,175	135,163	-	1,244,338
Building improvements	245,259	39,302	-	284,561
Furniture, fixtures and equipment	128,228	23,931	-	152,159
Total accumulated depreciation	1,482,662	198,396	-	1,681,058
Total capital assets being depreciated - net	4,981,470	(161,383)	-	4,820,087
Governmental activities capital assets - net	$ 5,005,470	$(161,383)	$ -	$ 4,844,087

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

Plant operation	$ 198,396

NOTE 6 - LONG-TERM DEBT

A. Governmental Debt

General Fund

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

	Principal Balance
Bonds payable - School Bond - Series 2000, due in varying annual amounts, interest rate 5.35% to 7.75%, maturing in 2025.	$ 1,350,000
Bonds payable - School Bond - Series 2004, due in annual payments of $107,020, interest rate 4.25%, maturing 9/26/2043.	1,904,700
	3,254,700
Less current portion of governmental long-term debt	(86,009)
Total governmental long-term debt	$ 3,168,691

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, 2010, is as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Amount due Within One Year
Capital outlay note	$ 3,600	$ -	$ (3,600)	$ -	$ -
School bonds - Series 2000	1,405,000	-	(55,000)	1,350,000	60,000
School bonds - Series 2004	1,927,339	-	(22,639)	1,904,700	26,009
Total	$ 3,335,939	$ -	$ (81,239)	$ 3,254,700	$ 86,009
Less: current portion of governmental Long-term debt				(86,009)	
Total governmental long-term debt				$ 3,168,691	

Interest paid during the year ended June 30, 2010, on governmental long-term debt amounted to $163,583.

Governmental debt service requirements to maturity including interest of $2,463,478 is as follows:

Year ended June 30,	Principal	Interest	Total Requirements
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	105,720	141,375	247,095
2016-2020	609,331	618,071	1,227,402
2021-2025	799,663	431,070	1,230,733
2026-2030	264,323	270,777	535,100
2031-2035	325,474	209,626	535,100
2036-2040	400,773	134,327	535,100
2041-2044	383,558	44,933	428,491
Total	$ 3,254,700	$ 2,463,478	$ 5,718,178

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 $15,312 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 payable, are not due and payable in the current period and, therefore, are not reported in the funds". The details of this $(3,254,700) difference are as follows:

Bonds payable	$ (3,254,700)
Net adjustment	$(3,254,700)

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 $(161,383) difference are as follows:

Depreciation expense	$ (198,396)
Capital outlay	37,013
Net adjustment	$ (161,383)

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 $81,239 difference are as follows:

Principal repayments:	
Bonds	$ 77,639
Notes	3,600
Net adjustment	$ 81,239

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/schools.

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, 2010, 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, 2010, 2009 and 2008 were $80,727, $83,529, and $81,521, 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, 2010, 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:

	Unavailable	Unearned	Total
Property taxes	$ -	$ 275,000	$ 275,000

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.

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 Fund
Balance Sheet
June 30, 2010

	Special Revenue Fund
	Student Activity Fund
ASSETS	
Cash	$ 20,313
TOTAL ASSETS	$ 20,313
LIABILITIES AND FUND BALANCES	
Liabilities	
Accrued liabilities	$ 5,001
Total liabilities	5,001
Fund Balances	
Unreserved	15,312
Total fund balances	15,312
TOTAL LIABILITIES AND FUND BALANCES	$ 20,313

RICHARD CITY-DEPTFORD SCHOOL
Non-major Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	Special Revenue Fund Student Activity Fund
REVENUES	
Other local revenues	$ 368
Student activities	129,429
TOTAL REVENUES	129,797
EXPENDITURES	
Current expenditures	
Student activities	130,898
TOTAL EXPENDITURES	130,898
Excess (deficiency) of revenues over (under) expenditures	(1,101)
Fund balances - beginning	16,413
Fund balances - end	$ 15,312

RICHARD CITY-DEPTFORD SCHOOL
Student Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Year Ended June 30, 2010

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Other local revenues				
Interest	$ 400	$ 400	$ 368	$ (32)
Student activities				
Annual	11,000	11,000	10,953	(47)
Instruction supplies	14,300	16,145	13,635	(2,510)
Magazine sales	4,000	4,000	3,536	(464)
School production and trips	34,700	34,700	34,850	150
Fund-raising	2,800	2,800	2,762	(38)
Maintenance and operations	2,550	2,550	2,964	414
Athletics	35,325	35,325	34,631	(694)
Senior class	1,250	1,250	1,232	(18)
Administration	1,050	1,845	1,816	(29)
Class and clubs	23,560	23,560	23,050	(510)
Total student activities	130,535	133,175	129,429	(3,746)
TOTAL REVENUES	130,935	133,575	129,797	(3,778)
EXPENDITURES				
Current expenditures				
Annual	10,500	10,500	10,173	327
Instruction supplies	11,925	14,960	14,783	177
Magazine sales	2,200	2,200	2,172	28
School production and trips	31,180	31,180	33,118	(1,938)
Fund-raising	2,300	2,300	2,215	85
Maintenance and operations	2,400	2,400	2,384	16
Athletics	29,620	29,620	31,170	(1,550)
Senior class	1,000	1,000	932	68
Administration	12,770	13,190	13,255	(65)
Class and clubs	21,050	21,050	20,696	354
Total student activities	124,945	128,400	130,898	(2,498)
TOTAL EXPENDITURES	124,945	128,400	130,898	(2,498)
Excess (deficiency) of revenues over (under) expenditures	5,990	5,175	(1,101)	(6,276)
Fund balances - beginning	16,413	16,413	16,413	-
Fund balances - end	$ 22,403	$ 21,588	$ 15,312	$ (6,276)

SUPPLEMENTAL INFORMATION

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title		Federal CFDA Number	Program Identification Number	Balance July 1, 2009	Receipts	Expenditures	Balance June 30, 2010
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	$ 1,820	$ 59,250	$ 61,103	$ 3,673
	ARRA	84.389	2010 ARRA	-	27,520	27,520	-
IDEA - Part B	ARRA	84.391A	2010 ARRA	-	38,175	43,497	5,322
		84.027	2009.01	4,414	69,818	73,884	8,480
IDEA - Preschool	ARRA	84.392A	2010 ARRA	-	-	1,883	1,883
		84.027	2010.01	-	3,652	3,652	-
		84.027	2009.01	502	502	-	-
Title II, Part A		84.367	2009.21	-	23,054	23,054	-
		84.367	2009.01	3,064	3,064	-	-
		84.367	2010.01	-	3,810	3,810	-
		84.367	2009.01	618	618	-	-
Title II, Part D		84.389		251	890	639	-
Title II, Part D	ARRA	84.389	2010 ARRA	-	341	341	-
Innovative Programs - Title V, Part A		84.298	2008.21	35	35	-	-
Title IV - Drug Free		84.186	2008.21	425	425	-	-
		84.186	2010.21	-	903	932	29
Individuals with Disabilities Education Act		84.000	2010.01	-	12,679	15,252	2,573
Total federal financial awards				11,129	244,736	255,567	21,960

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2010

STATE FINANCIAL ASSISTANCE				
State Discretionary - Coordinated School Health - Expansion (ARRA)	$ -	$ 50,821	$ 73,000	$ 22,179
State Discretionary - Early Childhood Education - Pilot/State	-	57,835	92,333	34,498
Total state financial awards	-	108,656	165,333	56,677
TOTAL FEDERAL AND STATE AWARDS	$ 11,129	$ 353,392	$ 420,900	$ 78,637

RICHARD CITY-DEPTFORD SCHOOL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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, 2010

Employee	Insurance Company	Bond	Expires
Larry S. Mannon	Western Surety Company	$ 150,000	6/3/2013
Pamela Webb	Western Surety Company	$ 100,000	4/9/2011

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2010

SCHOOL BOND - SERIES 2000

Bearing interest at the annual rate of 5.35-7.75%

Maturing June 30,	Principal	Interest	Total Requirements
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	130,000	7,930	137,930
Total	$ 1,350,000	$ 729,087	$ 2,079,087

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Debt Service Requirements
June 30, 2010

SCHOOL BOND - SERIES 2004

Bearing interest at the annual rate of 4.25%

Maturing June 30,	Principal	Interest	Total Requirements
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	99,864	7,567	107,431
Total	$ 1,904,700	$ 1,734,391	$ 3,639,091

RICHARD CITY-DEPTFORD SCHOOL
General Fund
Schedule of Tax Rates, Assessments and Taxes Receivable
June 30, 2010

Year of Levy	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
2010	$ .21	$.0648	$ 8,523,810	$ 424,382,716	$ 275,000
2009	$ .21	$.0708	$ 8,571,429	$ 388,418,079	1,782
2008	$ .21	$.0652	$ 9,857,143	$ 480,061,350	40
2007	$ .21	$.0652	$ 10,603,260	$ 517,570,844	578
2006	$ .21	$.0652	$ 9,823,948	$ 474,494,865	-
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		-
					277,400
Less allowance for uncollectibles - see note below.					(-)
					$ 277,400

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 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, 2010, and have issued our report thereon dated November 19, 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 a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Responses as 10-1 to be a material weakness.

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 two instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying Schedule of Findings and Responses as items 10-2 and 10-3.

Richard City-Deptford School' 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 School's 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, Mungaley & Wright, P.C.

Chattanooga, Tennessee
November 19, 2010

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Findings and Responses
June 30, 2010

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 statement one significant deficiency in internal controls was disclosed, which also was considered to be a material weakness.

Material Noncompliance:

Two instances of noncompliance or other matters were disclosed.

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

INTERNAL CONTROL:

Finding 10-2 - Accounting expertise (repeat finding 09-2)

Criteria:

SAS 115 states in part that the lack of accounting personnel with "sufficient training" to properly design controls over significant accounting processes and controls over the year-end financial reporting process, including the actual "preparation of 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 knowledge as to the design and implementation of proper accounting controls, and they also did not have any accounting personnel on staff with the skills and knowledge to prepare their own year-end financial statements.

Recommendation:

The Entity should consider the risk benefits of continuing to allow the outside auditors to perform these services for them, versus having an internal auditor/CPA to perform the year-end financial reporting process.

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 report the transaction to the entity. In addition, we do not have the funds available at this time to hire a complete internal audit staff.

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

COMPLIANCE:

Finding 10-2 - Expenditures Exceeded Budget (Repeat 09-3)

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 $246,022. The School's Student Activity Fund expenditures exceeded the budgeted amount by $2,498.

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.

Finding 10-3 - Deficit Balance in a Restricted Fund

Criteria:

Tennessee Internal School Uniform Accounting Policy Manual, Section 4, states that, "A deficit balance in a restricted fund account is not allowable".

Condition Found:

The prom restricted funds ended the fiscal year with a deficit fund balance of $(36).

Recommendation:

Accounting personnel should more closely monitor restricted fund expenditures to verify that deficit fund balances are not incurred.

Management's Response:

We concur. We will more closely monitor expenses and correct the deficit in the next fiscal year.

RICHARD CITY-DEPTFORD SCHOOL
Schedule of Prior Audit Findings
June 30, 2010

INTERNAL CONTROLS

Finding 09-1 - Segregation of Duties
Corrected.

Finding 09-2 - Accounting Expertise
Still in effect.

COMPLIANCE

Finding 09-3 - Expenditures Exceeded Budget
Still in effect.