

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

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2011**

## **I. INTRODUCTORY SECTION**

**RICHARD CITY-DEPTFORD SCHOOL**  
**Table of Contents**  
**June 30, 2011**

	Page
<b>I. INTRODUCTORY SECTION</b>	
Table of Contents	i-ii
School Board Members	iii
<b>II. FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-10
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	17-21
<b>Notes to Financial Statements</b>	22-32
<b>Non-major Governmental Funds</b>	33
Combining Balance Sheet	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35
Student Activity Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	36
Federal Projects Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	37-38
<b>Supplemental Information</b>	
Schedule of Expenditures of Federal and State Awards	39-40
Notes to the Schedule of Expenditures of Federal and State Awards	41
Schedule of Bonds of School Officials	42
Schedule of Governmental Debt Requirements	43-44
Schedule of Tax Rates, Assessments and Taxes Receivable	45

**RICHARD CITY-DEPTFORD SCHOOL**  
**Table of Contents (Continued)**  
**June 30, 2011**

	Page
<b>III. INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Schedule of Findings and Responses	48-50
Schedule of Prior Audit Findings	51

**RICHARD CITY-DEPTFORD SCHOOL**  
**School Board Members**  
**June 30, 2011**

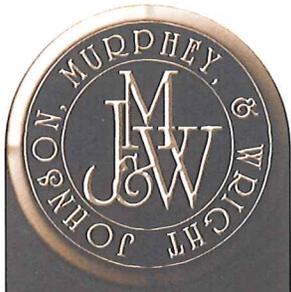
Stan Mannon. ....Director

Bill Norman..... Chairman

Mark Garner ..... Vice-Chairman

Melissa Phenis..... 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, 2011, 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, 2011, 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.

The accompanying financial statements are prepared assuming that the School will continue as a going concern. As discussed in Note 17 to the financial statements, the School has not made principal and interest payments on their outstanding debt, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Education  
Richard City-Deptford School  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, 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 and State 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.

Chattanooga, Tennessee  
December 12, 2011

*Johnson, Murphy & Wright, P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Richard City-Deptford School (RCDS) we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the RCDS for the fiscal year ended June 30, 2011. 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 \$1,824,953 (net assets).

Total governmental activities operated at a deficit of \$(404,421) for the year ended June 30, 2011.

During the year, RCDS spent part of the \$2,229,374 surplus left over from the year ended June 30, 2010.

### 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 governmental funds are presented separately. Individual fund data for the non-major governmental funds are provided later in this report beginning on page 34.

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 32 of this report.

### **Other Information**

The statements referred to earlier in connection with the non-major governmental funds, are presented immediately following the notes. Individual fund statements can be found on pages 34 through 38 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 39 through 45 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 \$1,824,953 at the close of this fiscal year.

A portion of the RCDS's net assets (82.06%) 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	
	2011	2010
Current and other assets	\$ 1,014,457	\$ 1,222,673
Capital assets	4,666,298	4,844,087
Total assets	\$ 5,680,755	\$ 6,066,760
Long-term liabilities outstanding	\$ 3,168,691	\$ 3,254,700
Other liabilities	687,111	582,686
Total liabilities	\$ 3,855,802	\$ 3,837,386
Net assets:		
Invested in capital assets - net of related debt	\$ 1,497,607	\$ 1,589,387
Restricted	19,665	15,312
Unrestricted	307,681	624,675
Total net assets	\$ 1,824,953	\$ 2,229,374

Approximately one percent of the RCDS's net assets represents resources that are subject to external restrictions on how they may be used. Therefore, \$307,681 in unrestricted net assets may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2011, 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 \$(404,421).

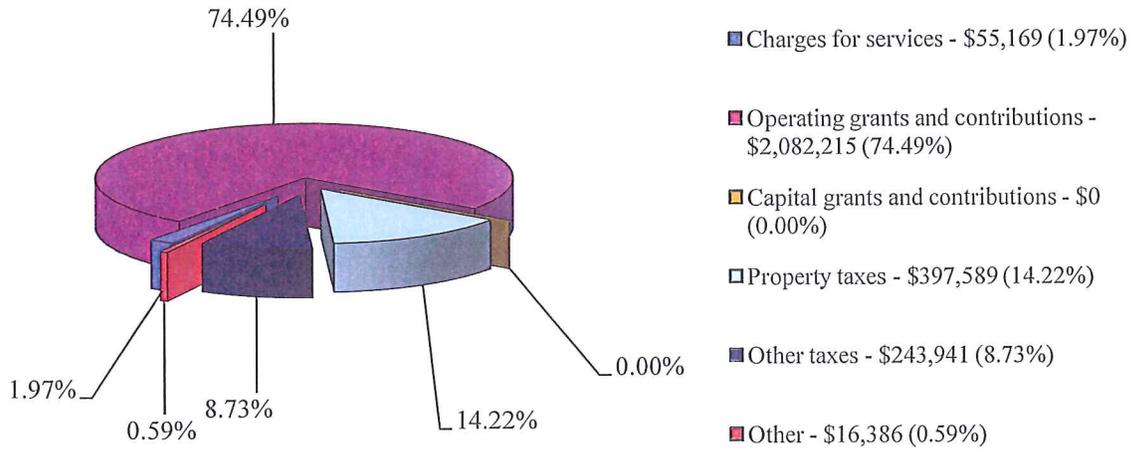
The table below provides a summary of RCDS's changes in net assets.

**Richard City-Deptford School's Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 55,169	\$ 60,016
Operating grants and contributions	2,082,215	1,969,108
General revenues:		
Property taxes	397,589	336,416
Other taxes	243,941	204,120
Other	16,386	37,283
Total revenues	<u>2,795,300</u>	<u>2,606,943</u>
<b>Expenses:</b>		
Regular instruction	1,685,720	1,556,290
Special education program	134,939	141,495
Students and attendance	35,151	33,950
Health services	48,313	44,640
Other student support	35,261	19,696
Regular and special education support	58,068	54,623
Board of Education	51,885	46,493
Superintendent	96,760	95,994
Principal	87,117	91,229
Fiscal services	55,479	51,299
Plant operations	449,945	415,916
Maintenance of plant	21,784	31,853
Food service	149,946	138,626
Community services	5,785	5,868
Student activities	123,109	130,898
Interest on long-term debt	160,459	163,583
Total expenses	<u>3,199,721</u>	<u>3,022,453</u>
Increase (decrease) in net assets	( 404,421)	( 415,510)
Net assets - beginning	<u>2,229,374</u>	<u>2,644,884</u>
Net assets - end	<u>\$ 1,824,953</u>	<u>\$ 2,229,374</u>

The graphs below summarize the \$2,795,300 of the School's revenues by source.

### School-Wide Sources of Revenue



### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

#### Governmental Funds

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

As of the end of the current fiscal year the RCDS's governmental funds reported combined ending fund balances of \$327,346.

The General Fund is the chief operating fund of the RCDS. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$306,529. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 10.90% of total General Fund expenditures.

The fund balance of the RCDS's General Fund decreased by \$(316,994) during the current fiscal year.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were approximately \$124,859 and are listed below:

The major differences were:

Increase in total revenues of \$139,154.

Increase in total expenses of \$14,295.

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, 2011, amounted to \$4,666,298 (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:

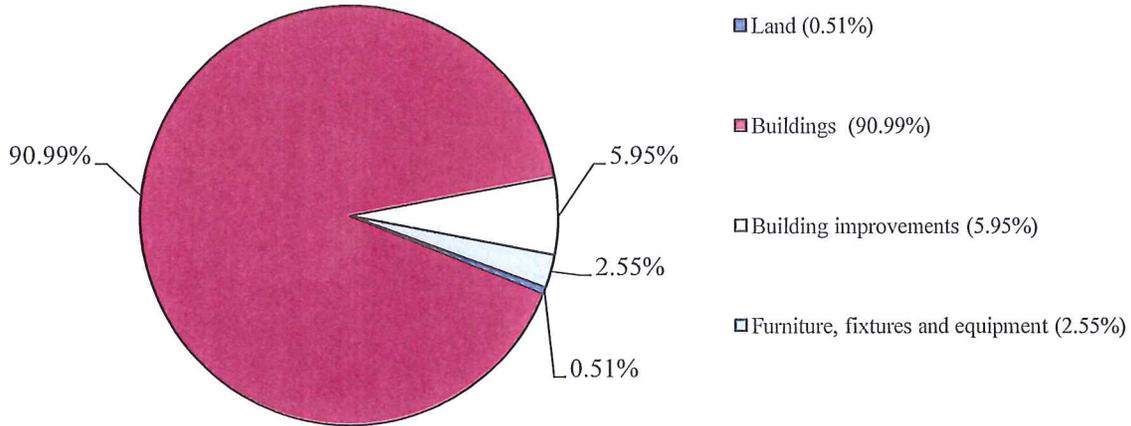
Freezer and refrigerator	\$ 5,505
Phone system	\$ 3,626
Two (2) storage buildings	\$ 4,378

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

	<u>Governmental Activities</u>
Land	\$ 24,000
Buildings	4,245,999
Building improvements	277,469
Furniture, fixtures and equipment	<u>118,830</u>
	<u>\$ 4,666,298</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

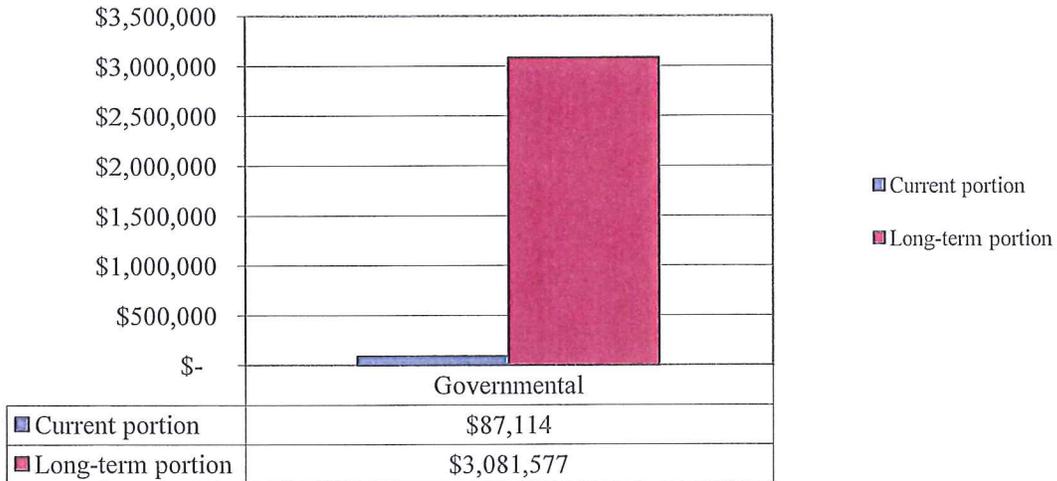
#### Long-term Debt

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$3,168,691. Of this amount \$87,114 is due in the next fiscal year.

	Governmental <u>Activities</u>
School bonds - series 2000	\$ 1,290,000
School bonds - series 2004	<u>1,878,691</u>
	3,168,691
Current portion	<u>( 87,114)</u>
Long-term debt	<u>\$ 3,081,577</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 page 29.

**Currently Known Conditions Effecting Future Years**

Richard City-Deptford School missed their September, 2011 principal and interest payment to Rural Development Corporation.

**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, 2011**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash	\$ 81,558
Investments	351,858
Property tax receivable	342,872
Sales tax receivable	17,128
Grants receivable	103,776
Prepaid assets	1,152
Other current assets	116,113
Capital assets:	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	<u>4,642,298</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 5,680,755</b></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,141
Accrued liabilities	347,970
Deferred property taxes	336,000
Non-current liabilities:	
Due within one year	87,114
Due in more than one year	<u>3,081,577</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 3,855,802</b></u>
<b>NET ASSETS</b>	
Invested in capital assets - net of related debt	\$ 1,497,607
Restricted for:	
Student activities	19,665
Unrestricted	<u>307,681</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 1,824,953</b></u>

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Statement of Activities**  
**Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental activities:					
Regular instruction	\$ 1,685,720	\$ 9,535	\$ 1,762,400	\$ -	\$ 86,215
Special education program	134,939	-	92,939	-	(42,000)
Students and attendance	35,151	-	-	-	(35,151)
Health services	48,313	-	-	-	(48,313)
Other student support	35,261	7,356	-	-	(27,905)
Regular and special education support	58,068	-	6,557	-	(51,511)
Board of Education	51,885	-	-	-	(51,885)
Superintendent	96,760	-	-	-	(96,760)
Principal	87,117	-	-	-	(87,117)
Fiscal services	55,479	-	-	-	(55,479)
Plant operation	449,945	-	-	-	(449,945)
Maintenance of plant	21,784	-	-	-	(21,784)
Food service	149,946	38,278	93,010	-	(18,658)
Community services	5,785	-	-	-	(5,785)
Student activities	123,109	-	127,309	-	4,200
Interest on long-term debt	160,459	-	-	-	(160,459)
<b>Total primary government</b>	<b>\$ 3,199,721</b>	<b>\$ 55,169</b>	<b>\$ 2,082,215</b>	<b>\$ -</b>	<b>(1,062,337)</b>
General revenues:					
Property taxes					397,589
Payments in lieu of taxes					3,086
Local option sales tax					226,840
Hotel-motel tax					921
Bank excise tax					3,490
Wholesale beer tax					9,488
Other statutory local taxes					116
Interest revenue					6,400
Other revenues					9,986
Total general revenues					657,916
Change in net assets					(404,421)
Net assets - beginning					2,229,374
Net assets - end					\$ 1,824,953

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 47,757	\$ 33,801	\$ 81,558
Investments	351,858	-	351,858
Due from other funds	13,394	-	13,394
Property tax receivable	342,872	-	342,872
Sales tax receivable	17,128	-	17,128
Grants receivable	91,248	12,528	103,776
Prepaid assets	1,152	-	1,152
Other current assets	<u>116,113</u>	<u>-</u>	<u>116,113</u>
<b>TOTAL ASSETS</b>	<u>\$ 981,522</u>	<u>\$ 46,329</u>	<u>\$ 1,027,851</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,141	\$ -	\$ 3,141
Accrued liabilities	334,700	13,270	347,970
Due to other funds	-	13,394	13,394
Deferred property taxes	<u>336,000</u>	<u>-</u>	<u>336,000</u>
Total liabilities	<u>673,841</u>	<u>26,664</u>	<u>700,505</u>
 <b>Fund Balances</b>			
Nonspendable	1,152	-	1,152
Assigned	-	11,993	11,993
Unassigned	<u>306,529</u>	<u>7,672</u>	<u>314,201</u>
Total fund balances	<u>307,681</u>	<u>19,665</u>	<u>327,346</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 981,522</u>	<u>\$ 46,329</u>	<u>\$ 1,027,851</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, 2011**

Total fund balances per governmental funds balance sheet	\$ 327,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,666,298
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,168,691)</u>
Net assets of governmental activities	<u>\$ 1,824,953</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, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local taxes	\$ 619,379	\$ -	\$ 619,379
Special school district taxes	22,151	-	22,151
Licenses and permits	163	-	163
Charges for services	16,891	-	16,891
Other local revenues	48,875	152	49,027
Intergovernmental	1,787,431	172,949	1,960,380
Student activities	-	127,413	127,413
<b>TOTAL REVENUES</b>	<u>2,494,890</u>	<u>300,514</u>	<u>2,795,404</u>
<b>EXPENDITURES</b>			
<b>Current expenditures</b>			
Regular instruction	1,623,201	55,276	1,678,477
Special education program	71,415	63,524	134,939
Students and attendance	35,151	-	35,151
Health services	45,302	-	45,302
Other student support	33,375	1,886	35,261
Regular and special education support	5,805	52,263	58,068
Board of Education	51,885	-	51,885
Superintendent	96,760	-	96,760
Principal	87,117	-	87,117
Fiscal services	55,480	-	55,480
Plant operation	225,216	-	225,216
Maintenance of plant	26,505	-	26,505
Food service	149,430	-	149,430
Community services	5,785	-	5,785
Student activities	-	123,212	123,212
<b>Capital outlay</b>	49,389	-	49,389
<b>Debt service</b>	250,068	-	250,068
<b>TOTAL EXPENDITURES</b>	<u>2,811,884</u>	<u>296,161</u>	<u>3,108,045</u>
Excess (deficiency) of revenues over (under) expenditures	(316,994)	4,353	(312,641)
<b>Fund balances - beginning</b>	<u>624,675</u>	<u>15,312</u>	<u>639,987</u>
<b>Fund balances - end</b>	<u>\$ 307,681</u>	<u>\$ 19,665</u>	<u>\$ 327,346</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, 2011**

Net change in fund balances for total governmental funds	\$ (312,641)
Governmental funds report capital outlay as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(177,789)
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>86,009</u>
Change in net assets of governmental activities	<u>\$ (404,421)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Actual</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Local taxes				
County property taxes	\$ 341,951	\$ 341,951	\$ 375,438	\$ 33,487
Payments in lieu of taxes	3,975	3,975	3,086	(889)
Local option sales tax	232,510	232,510	226,840	(5,670)
Hotel-motel tax	2,500	2,500	921	(1,579)
Bank excise tax	6,369	6,369	3,490	(2,879)
Wholesale beer tax	10,000	10,000	9,488	(512)
Other statutory local taxes	385	385	116	(269)
Total local taxes	<u>597,690</u>	<u>597,690</u>	<u>619,379</u>	<u>21,689</u>
Special school district taxes				
City property tax	<u>20,550</u>	<u>20,550</u>	<u>22,151</u>	<u>1,601</u>
License and permits				
Marriage license	<u>200</u>	<u>200</u>	<u>163</u>	<u>(37)</u>
Charges for services				
Tuition	25,000	25,000	9,535	(15,465)
After school program	<u>8,000</u>	<u>8,000</u>	<u>7,356</u>	<u>(644)</u>
Total charges for services	<u>33,000</u>	<u>33,000</u>	<u>16,891</u>	<u>(16,109)</u>
Other local revenues				
Interest earned	53,000	53,000	6,248	(46,752)
Miscellaneous	4,000	4,000	2,599	(1,401)
Contributions and gifts	10,000	10,000	1,750	(8,250)
Lunch and snacks	<u>33,000</u>	<u>41,000</u>	<u>38,278</u>	<u>(2,722)</u>
Total other local revenues	<u>100,000</u>	<u>108,000</u>	<u>48,875</u>	<u>(59,125)</u>
Intergovernmental				
Education funds	1,452,649	1,467,249	1,469,381	2,132
Education funds - ARRA	99,448	99,448	99,448	-
Career ladder program	10,240	10,240	10,408	168
USDA lunch and breakfast	57,000	57,000	93,010	36,010
Education Jobs Fund	-	73,000	71,630	(1,370)
Race to the Top - ARRA	-	43,554	43,554	-
Total intergovernmental	<u>1,619,337</u>	<u>1,750,491</u>	<u>1,787,431</u>	<u>36,940</u>
<b>TOTAL REVENUES</b>	<u>2,370,777</u>	<u>2,509,931</u>	<u>2,494,890</u>	<u>(15,041)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Actual</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Regular instruction				
Teachers	\$ 1,192,107	\$ 1,188,469	\$ 1,188,470	\$ (1)
Career ladder program	17,425	18,025	18,000	25
Educational assistants	54,874	55,474	52,752	2,722
Substitute teachers	17,500	20,000	19,731	269
Payroll taxes	99,642	101,142	98,161	2,981
Medical insurance	40,612	40,708	40,817	(109)
State retirement	110,143	108,975	108,924	51
Other contracted services	62,320	64,820	66,868	(2,048)
Instructional supplies and materials	21,000	15,500	15,484	16
Textbooks	5,000	1,000	1,004	(4)
Other charges	15,543	13,043	12,990	53
Total regular instruction	<u>1,636,166</u>	<u>1,627,156</u>	<u>1,623,201</u>	<u>3,955</u>
Special education program				
Teachers	42,581	42,831	42,745	86
Educational assistants	10,962	12,162	12,067	95
Payroll taxes	4,097	4,222	4,217	5
State retirement	3,855	3,855	3,868	(13)
Other contracted services	8,000	8,025	8,025	-
Other supplies and materials	865	535	493	42
Total special education program	<u>70,360</u>	<u>71,630</u>	<u>71,415</u>	<u>215</u>
Students and attendance				
Clerical personnel	29,582	31,582	31,488	94
Payroll taxes	2,263	2,413	2,400	13
Travel	500	100	60	40
Other supplies and materials	400	1,250	1,203	47
Total students and attendance	<u>32,745</u>	<u>35,345</u>	<u>35,151</u>	<u>194</u>
Health services				
Medical personnel	30,000	30,000	30,000	-
Payroll taxes	2,066	2,316	2,295	21
Drugs and medical supplies	250	325	317	8
Travel	3,000	4,750	4,756	(6)
Other	8,700	8,450	7,934	516
Total health services	<u>44,016</u>	<u>45,841</u>	<u>45,302</u>	<u>539</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Actual</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Other student support				
Clerical personnel	\$ 15,000	\$ 16,200	\$ 16,105	\$ 95
Coaches	2,000	12,500	12,200	300
Payroll taxes	1,301	1,301	1,222	79
Other contracted services	7,650	2,150	1,717	433
Other charges	<u>2,560</u>	<u>2,160</u>	<u>2,131</u>	<u>29</u>
Total other student support	<u>28,511</u>	<u>34,311</u>	<u>33,375</u>	<u>936</u>
Regular and special education support				
Other salaries	-	1,300	1,260	40
Payroll taxes	-	150	105	45
Retirement	-	125	114	11
Travel	6,500	1,750	1,595	155
In-service/staff development	<u>3,900</u>	<u>2,900</u>	<u>2,731</u>	<u>169</u>
Total regular and special education support	<u>10,400</u>	<u>6,225</u>	<u>5,805</u>	<u>420</u>
Board of Education				
Professional services	20,040	20,290	20,075	215
Dues and memberships	1,300	1,750	1,733	17
Travel	1,500	3,400	3,396	4
Insurance	14,372	18,272	17,876	396
Trustee commission	11,500	9,000	8,403	597
Other charges	<u>200</u>	<u>400</u>	<u>402</u>	<u>(2)</u>
Total Board of Education	<u>48,912</u>	<u>53,112</u>	<u>51,885</u>	<u>1,227</u>
Superintendent				
Administrative officer	61,000	62,830	62,830	-
Career ladder program	1,000	1,000	1,000	-
Secretary	7,333	7,333	7,333	-
Payroll taxes	5,304	5,439	5,438	1
Retirement	5,611	5,781	5,777	4
Communication	2,600	4,200	4,178	22
Dues and memberships	1,070	2,320	2,262	58
Travel	5,000	7,250	7,202	48
Other charges	<u>1,050</u>	<u>900</u>	<u>740</u>	<u>160</u>
Total Superintendent	<u>89,968</u>	<u>97,053</u>	<u>96,760</u>	<u>293</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Actual</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
<b>Principal</b>				
Principal	\$ 57,000	\$ 57,000	\$ 57,000	\$ -
Career ladder program	1,000	1,000	1,000	-
Secretary	7,333	7,333	7,333	-
Payroll taxes	4,447	4,447	4,421	26
Medical insurance	6,200	5,700	5,363	337
State retirement	4,732	5,232	5,249	(17)
Communication	2,600	4,200	4,178	22
Dues and memberships	540	240	184	56
Travel	2,000	1,200	1,192	8
Office supplies	250	700	682	18
Other charges	825	575	515	60
Total Principal	<u>86,927</u>	<u>87,627</u>	<u>87,117</u>	<u>510</u>
<b>Fiscal services</b>				
Accountants/bookkeepers	48,000	47,500	47,500	-
Payroll taxes	3,672	3,597	3,572	25
Travel	500	200	198	2
Office supplies	2,000	500	322	178
Other supplies and materials	1,100	500	361	139
Other charges	500	3,700	3,527	173
Total fiscal services	<u>55,772</u>	<u>55,997</u>	<u>55,480</u>	<u>517</u>
<b>Plant operation</b>				
Custodial personnel	68,300	67,500	66,272	1,228
Payroll taxes	5,202	5,202	4,991	211
Other contracted services	9,400	8,650	8,600	50
Insurance	11,297	11,547	11,534	13
Custodial supplies	14,000	11,500	11,302	198
Utilities	124,400	120,400	119,948	452
Other charges	6,000	2,000	1,775	225
Other supplies and materials	500	800	794	6
Total plant operation	<u>239,099</u>	<u>227,599</u>	<u>225,216</u>	<u>2,383</u>
<b>Maintenance of plant</b>				
Maintenance and repairs - building	15,000	8,000	7,197	803
Maintenance and repairs - equipment	24,000	8,000	7,380	620
Vehicle	1,000	1,000	941	59
Equipment and machine parts	500	2,250	2,149	101
Other contracted services	9,250	8,850	8,838	12
Total maintenance of plant	<u>49,750</u>	<u>28,100</u>	<u>26,505</u>	<u>1,595</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Actual</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Food service				
Cafeteria personnel	\$ 39,815	\$ 39,815	\$ 39,375	\$ 440
Payroll taxes	3,085	3,085	2,985	100
Contracted services	81,190	83,690	83,474	216
Travel	700	2,450	2,420	30
In-service/staff development	200	100	25	75
Other charges	11,000	21,000	20,886	114
Other supplies and materials	200	100	53	47
Maintenance and repairs	120	220	212	8
Total food service	<u>136,310</u>	<u>150,460</u>	<u>149,430</u>	<u>1,030</u>
Community services				
Other salaries and wages	7,300	5,550	5,355	195
Payroll taxes	406	431	430	1
Total community service	<u>7,706</u>	<u>5,981</u>	<u>5,785</u>	<u>196</u>
<b>Capital outlay</b>				
Regular instructional equipment	6,000	7,500	7,577	(77)
Health service equipment	500	3,000	3,011	(11)
Plant operation equipment	6,300	4,300	4,057	243
Food service equipment	3,685	7,685	7,102	583
Building improvements	15,000	28,000	27,642	358
Total capital outlay	<u>31,485</u>	<u>50,485</u>	<u>49,389</u>	<u>1,096</u>
<b>Debt service</b>				
Principal paid on debt	71,556	89,556	89,609	(53)
Interest paid on debt	172,978	160,478	160,459	19
Total debt service	<u>244,534</u>	<u>250,034</u>	<u>250,068</u>	<u>(34)</u>
<b>TOTAL EXPENDITURES</b>	<u>2,812,661</u>	<u>2,826,956</u>	<u>2,811,884</u>	<u>15,072</u>
Excess (deficiency) of revenues over (under) expenditures	(441,884)	(317,025)	(316,994)	31
<b>Fund balances - beginning</b>	<u>624,675</u>	<u>624,675</u>	<u>624,675</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 182,791</u>	<u>\$ 307,650</u>	<u>\$ 307,681</u>	<u>\$ 31</u>

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2011**

**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.

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

### D. Fund Balance

#### Assigned Fund Balance:

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

#### Unassigned Fund Balance:

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Budgets

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

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

Budgeted amounts are adopted in accordance with accounting principles generally accepted in the United States of America (GAAP). Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. During the year, supplementary appropriations were necessary. The effect of the amendments was to increase budgeted revenues by \$139,154, and increase budgeted expenditures by \$14,295 in the General Fund. All appropriations which are not expended lapse at year-end.

### F. 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, 2011, there were no cash equivalents.

### G. 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.

### H. 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)**

**I. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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

**J. 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.

**K. 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.

**L. Restricted Net Assets**

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

**M. 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.

**N. 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.

**O. 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.

**P. Events Occurring after Reporting Date**

The School has evaluated events and transactions that occurred between June 30, 2011, and December 12, 2011, 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, 2011, the carrying amount of the School's deposits was \$433,416, and the bank balance was \$454,354. 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	\$ 81,558
Investments	<u>351,858</u>
Total	<u>\$ 433,416</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>\$ 351,858</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 2011 year was \$.19 per \$100 of assessed valuation.

The School also receives \$.0649 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 2011 levy are considered to be owed to the School as of the lien date on January 1, 2011. Therefore, the entire 2011 levy was recorded as a receivable and deferred revenue as of June 30, 2011, in the financial statements.

#### NOTE 4 - GRANTS RECEIVABLE

Grant receivable at June 30, 2011, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title I, Part A	\$ 3,012
IDEA - Part B	5,515
IDEA - Preschool	81
Title II, Part A	3,723
Title II, Part D	167
Title VI	30
State Discretionary - Coordinated School Health	22,091
Race to the Top	15,857
Education Jobs Fund	21,314
State Discretionary - Early Childhood Education	<u>31,986</u>
 Total	 <u>\$ 103,776</u>

#### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Capital assets being depreciated:				
Buildings	5,625,499	-	-	5,625,499
Building improvements	594,698	7,007	-	601,705
Furniture, fixtures and equipment	280,948	15,241	-	296,189
Total capital assets being depreciated	<u>6,501,145</u>	<u>22,248</u>	<u>-</u>	<u>6,523,393</u>
Less accumulated depreciation for:				
Buildings	1,244,338	135,162	-	1,379,500
Building improvements	284,561	39,675	-	324,236
Furniture, fixtures and equipment	152,159	25,200	-	177,359
Total accumulated depreciation	<u>1,681,058</u>	<u>200,037</u>	<u>-</u>	<u>1,881,095</u>
Total capital assets being depreciated - net	<u>4,820,087</u>	<u>( 177,789)</u>	<u>-</u>	<u>4,642,298</u>
Governmental activities capital assets - net	<u>\$ 4,844,087</u>	<u>\$ ( 177,789)</u>	<u>\$ -</u>	<u>\$ 4,666,298</u>

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

Plant operation	<u>\$ 200,037</u>
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**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:

	<u>Principal Balance</u>
Bonds payable - School Bond - Series 2000, due in varying annual amounts, interest rate 5.35% to 7.75%, maturing in 2025.	\$ 1,290,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$107,020, interest rate 4.25%, maturing 9/26/2043.	<u>1,878,691</u>
	3,168,691
Less current portion of governmental long-term debt	<u>( 87,114)</u>
Total governmental long-term debt	<u>\$ 3,081,577</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2011, is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Amount due Within One Year</u>
School bonds - Series 2000	\$ 1,350,000	\$ -	\$ ( 60,000)	\$ 1,290,000	\$ 60,000
School bonds - Series 2004	<u>1,904,700</u>	-	<u>( 26,009)</u>	<u>1,878,691</u>	<u>27,114</u>
Total	<u>\$ 3,254,700</u>	<u>\$ -</u>	<u>\$ ( 86,009)</u>	3,168,691	<u>\$ 87,114</u>
Less: current portion of governmental Long-term debt				<u>( 87,114)</u>	
Total governmental long-term debt				<u>\$ 3,081,577</u>	

Interest paid during the year ended June 30, 2011, on governmental long-term debt amounted to \$160,459.

Governmental debt service requirements to maturity including interest of \$2,303,520 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	112,026	135,906	247,932
2017-2021	641,740	585,218	1,226,958
2022-2026	703,786	386,479	1,090,265
2027-2031	275,557	259,543	535,100
2032-2036	339,307	195,793	535,100
2037-2041	417,805	117,295	535,100
2042-2044	<u>292,901</u>	<u>28,570</u>	<u>321,471</u>
Total	<u>\$ 3,168,691</u>	<u>\$ 2,303,520</u>	<u>\$ 5,472,211</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 \$19,665 are legally restricted for the promotion of student activities.

**NOTE 8 - FUND BALANCES - GOVERNMENTAL FUNDS**

Nonspendable - represents \$1,152 of prepaid assets.

Assigned - represents \$11,993 of Student Activity funds assigned for a specific purpose.

**NOTE 9 - 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 \$(3,168,691) difference are as follows:

Bonds payable	<u>\$( 3,168,691)</u>
Net adjustment	<u>\$( 3,168,691)</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 \$(177,789) difference are as follows:

Depreciation expense	\$ ( 200,037)
Capital outlay	<u>22,248</u>
Net adjustment	<u>\$( 177,789)</u>

**NOTE 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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 \$86,009 difference are as follows:

Principal repayments:	
Bonds	\$ 86,009
Net adjustment	<u>\$ 86,009</u>

**NOTE 10 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

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

**NOTE 11 - 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/schools](http://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, 2011, was 9.05% 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, 2011, 2010 and 2009 were \$129,210, \$80,727 and \$83,529, respectively, equal to the required contributions for each year.

**NOTE 12 - 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 13 - CONTINGENT LIABILITIES**

As of June 30, 2011, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition.

**NOTE 14 - 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 15 - 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>\$ -</u>	<u>\$ 336,000</u>	<u>\$ 336,000</u>

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

**NOTE 16 - SALARY SUPPLEMENTS**

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

**NOTE 17 - GOING CONCERN**

Richard City-Deptford School missed their September, 2011 principal and interest payment to Rural Development Corporation, due to the large deficits they have had for the past three years, resulting in lack of cash. Management has drastically cut the budgeted expenditures to produce a balanced budget for fiscal year ended June 30, 2012.

**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.

#### **Federal Projects Fund**

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Non-major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	<b>Special Revenue</b>		<b>Total</b>
	<b>Funds</b>		
	<b>Student</b>	<b>Federal</b>	<b>Non-major</b>
	<b>Activity</b>	<b>Projects</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 25,395	\$ 8,406	\$ 33,801
Grants receivable	<u>          -</u>	<u>12,528</u>	<u>12,528</u>
<b>TOTAL ASSETS</b>	<u>\$ 25,395</u>	<u>\$ 20,934</u>	<u>\$ 46,329</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accrued liabilities	\$ 5,730	\$ 7,540	\$ 13,270
Due to other funds	<u>          -</u>	<u>13,394</u>	<u>13,394</u>
Total liabilities	<u>5,730</u>	<u>20,934</u>	<u>26,664</u>
<b>Fund Balances</b>			
Assigned	11,993	-	11,993
Unassigned	<u>7,672</u>	<u>          -</u>	<u>7,672</u>
Total fund balances	<u>19,665</u>	<u>          -</u>	<u>19,665</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 25,395</u>	<u>\$ 20,934</u>	<u>\$ 46,329</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Non-major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2011**

	<b>Special Revenue</b>		<b>Total</b>
	<b>Funds</b>		
	<b>Student</b>	<b>Federal</b>	<b>Non-major</b>
	<b>Activity</b>	<b>Projects</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>REVENUES</b>			
Other local revenues	\$ 152	\$ -	\$ 152
Intergovernmental	-	172,949	172,949
Student activities	<u>127,413</u>	<u>-</u>	<u>127,413</u>
<b>TOTAL REVENUES</b>	<u>127,565</u>	<u>172,949</u>	<u>300,514</u>
 <b>EXPENDITURES</b>			
<b>Current expenditures</b>			
Regular instruction	-	55,276	55,276
Special education program	-	63,524	63,524
Other student support	-	1,886	1,886
Regular and special education support	-	52,263	52,263
Student activities	<u>123,212</u>	<u>-</u>	<u>123,212</u>
<b>TOTAL EXPENDITURES</b>	<u>123,212</u>	<u>172,949</u>	<u>296,161</u>
Excess (deficiency) of revenues over (under) expenditures	4,353	-	4,353
<b>Fund balances - beginning</b>	<u>15,312</u>	<u>-</u>	<u>15,312</u>
<b>Fund balances - end</b>	<u>\$ 19,665</u>	<u>\$ -</u>	<u>\$ 19,665</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Student Activity Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Other local revenues				
Interest	\$ 350	\$ 165	\$ 152	\$ (13)
Student activities				
Annual	11,000	8,800	8,515	(285)
Instruction supplies	15,100	12,542	12,487	(55)
Magazine sales	3,600	3,500	3,484	(16)
School production and trips	34,200	29,340	29,281	(59)
Fund-raising	2,800	2,800	2,720	(80)
Maintenance and operations	3,200	8,450	8,267	(183)
Athletics	17,500	18,000	17,847	(153)
Senior class	1,200	2,170	2,167	(3)
Administration	1,000	1,150	1,233	83
Class and clubs	44,630	43,935	41,412	(2,523)
Total student activities	<u>134,230</u>	<u>130,687</u>	<u>127,413</u>	<u>(3,274)</u>
<b>TOTAL REVENUES</b>	<u>134,580</u>	<u>130,852</u>	<u>127,565</u>	<u>(3,287)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Annual	10,000	8,000	7,899	101
Instruction supplies	3,400	14,764	14,823	(59)
Magazine sales	2,800	2,400	2,426	(26)
School production and trips	32,550	12,900	22,846	(9,946)
Fund-raising	1,800	2,700	2,721	(21)
Maintenance and operations	2,875	3,375	13,356	(9,981)
Athletics	15,875	5,850	15,892	(10,042)
Senior class	-	2,700	2,640	60
Administration	4,000	2,920	2,859	61
Class and clubs	41,670	38,500	37,750	750
Total student activities	<u>114,970</u>	<u>94,109</u>	<u>123,212</u>	<u>(29,103)</u>
<b>TOTAL EXPENDITURES</b>	<u>114,970</u>	<u>94,109</u>	<u>123,212</u>	<u>(29,103)</u>
Excess (deficiency) of revenues over (under) expenditures	19,610	36,743	4,353	(32,390)
<b>Fund balances - beginning</b>	<u>15,312</u>	<u>15,312</u>	<u>15,312</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 34,922</u>	<u>\$ 52,055</u>	<u>\$ 19,665</u>	<u>\$ (32,390)</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Federal Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental				
Title I	\$ 70,474	\$ 70,474	\$ 55,142	\$ (15,332)
Title II - Part A	24,691	24,691	18,310	(6,381)
Title IV	21,146	21,146	6,360	(14,786)
Title VI	-	-	30	30
Drug Free Tennessee	187	187	167	(20)
IDEA - Part B	100,263	100,263	88,583	(11,680)
IDEA - Preschool	4,394	4,394	4,357	(37)
<b>TOTAL REVENUES</b>	<u>221,155</u>	<u>221,155</u>	<u>172,949</u>	<u>(48,206)</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Regular instruction				
Educational assistants	36,700	36,700	35,928	772
Payroll taxes	2,807	2,807	2,436	371
Instructional materials	31,696	31,696	11,438	20,258
Title transfer	8,875	8,875	5,474	3,401
Total regular instruction	<u>80,078</u>	<u>80,078</u>	<u>55,276</u>	<u>24,802</u>
Special education program				
Teachers	42,031	42,031	33,603	8,428
Educational assistants	12,975	12,975	12,766	209
Payroll taxes	4,182	4,182	3,436	746
Retirement	3,789	3,789	3,041	748
Contracted services	5,266	5,266	4,940	326
Instructional materials	5,994	5,994	5,738	256
Total special education program	<u>74,237</u>	<u>74,237</u>	<u>63,524</u>	<u>10,713</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Other student support				
Payroll taxes	\$ 192	\$ 192	\$ 127	\$ 65
Other supplies/materials	<u>2,800</u>	<u>2,800</u>	<u>1,759</u>	<u>1,041</u>
Total other student support	<u>2,992</u>	<u>2,992</u>	<u>1,886</u>	<u>1,106</u>
Regular and special education support				
Supervisor/coordinator	26,786	26,786	25,194	1,592
Payroll taxes	3,991	3,991	3,865	126
Retirement	2,279	2,279	2,279	-
Staff development	11,958	11,958	8,706	3,252
Other supplies/materials	2,930	2,930	2,197	733
Travel	<u>15,904</u>	<u>15,904</u>	<u>10,022</u>	<u>5,882</u>
Total regular and special education support	<u>63,848</u>	<u>63,848</u>	<u>52,263</u>	<u>11,585</u>
<b>TOTAL EXPENDITURES</b>	<u>221,155</u>	<u>221,155</u>	<u>172,949</u>	<u>48,206</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - end</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL INFORMATION**

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program Identification Number	Balance July 1, 2010	Receipts	Expenditures	Balance June 30, 2011
<b><u>FEDERAL FINANCIAL ASSISTANCE</u></b>						
<b>U.S. Department of Education</b>						
Passed through Tennessee Department of Education:						
Elementary and Secondary Education Act - Title I, Part A	84.010	2009.01	\$ 3,673	\$ 50,330	\$ 49,669	\$ 3,012
IDEA - Part B	ARRA 84.391A	2010 ARRA	5,322	5,322	-	-
	84.027	2009.01	8,480	8,480	4,221	4,221
	84.027		-	61,467	62,761	1,294
IDEA - Preschool	ARRA 84.392A	2010 ARRA	1,883	6,159	4,357	81
	ARRA 84.391A		-	15,731	15,731	-
	84.027		-	5,868	5,868	-
Title II, Part A	84.367		-	14,587	18,310	3,723
Title II, Part D			-	-	167	167
Title IV - Drug Free	84.186	2010.21	29	29	-	-
Title VI			-	-	30	30
Individuals with Disabilities Education Act	84.000	2010.01	2,573	2,573	-	-
State Discretionary - Coordinated School Health - Expansion	ARRA 84.397		22,179	73,088	73,000	22,091

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2011**

Race to the Top	ARRA	84.395	\$ -	\$ 27,697	\$ 43,554	\$ 15,857
Rural Education Achievement Program	ARRA	84.358A	-	6,360	6,360	-
Education Jobs Fund		84.410	-	<u>50,316</u>	<u>71,630</u>	<u>21,314</u>
Total federal financial awards			<u>44,139</u>	<u>328,007</u>	<u>355,658</u>	<u>71,790</u>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>						
State Discretionary - Early Childhood Education - Pilot/State			<u>34,498</u>	<u>96,367</u>	<u>93,855</u>	<u>31,986</u>
Total state financial awards			<u>34,498</u>	<u>96,367</u>	<u>93,855</u>	<u>31,986</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 78,637</u>	<u>\$ 424,374</u>	<u>\$ 449,513</u>	<u>\$ 103,776</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2011**

**NOTE 1 - BASIS OF PRESENTATION**

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Bonds of School Officials**  
**Year Ended June 30, 2011**

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>	<u>Expires</u>
Larry S. Mannon	Western Surety Company	\$ 150,000	6/3/2013

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Debt Service Requirements**  
**June 30, 2011**

**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>
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>
<b>Total</b>	<b><u>\$ 1,290,000</u></b>	<b><u>\$ 650,140</u></b>	<b><u>\$ 1,940,140</u></b>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Debt Service Requirements**  
**June 30, 2011**

**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>
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
<b>Total</b>	<u>\$ 1,878,691</u>	<u>\$ 1,653,380</u>	<u>\$ 3,532,071</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**General Fund**  
**Schedule of Tax Rates, Assessments and Taxes Receivable**  
**June 30, 2011**

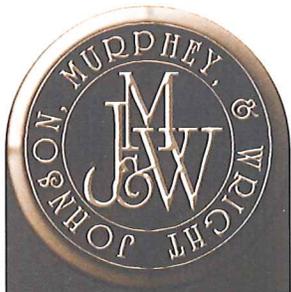
<u>Year of Levy</u>	Special School District Tax Rate Per \$100 Assessment Plus Allotment	Marion County Allotment ADA Rate	Special School District Assessment	Marion County Assessment	Property Taxes Receivable
2011	\$ .19	\$.0649	\$ 11,287,300	\$ 517,719,568	\$ 336,000
2010	\$ .21	\$.0648	\$ 8,523,810	\$ 424,382,716	6,225
2009	\$ .21	\$.0708	\$ 8,571,429	\$ 388,418,079	594
2008	\$ .21	\$.0652	\$ 9,857,143	\$ 480,061,350	53
2007	\$ .21	\$.0652	\$ 10,603,260	\$ 517,570,844	-
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		-
					<u>342,872</u>
					<u>( - )</u>
					<u>\$ 342,872</u>

Less allowance for uncollectibles - see note below.

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

The Richard City-Deptford Schools receive the \$.1921 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, 2011, and have issued our report thereon dated December 12, 2011. 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 deficiencies described in the accompanying Schedule of Findings and Responses as 11-1 and 11-2 to be material weaknesses.

Board of Education  
Richard City-Deptford School  
Page Two

**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 11-3 and 11-4.

Richard City-Deptford School's 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.

Chattanooga, Tennessee  
December 12, 2011

*Johnson, Murphy & Wright, P.C.*

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Findings and Responses**  
**June 30, 2011**

**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 two significant deficiencies in internal controls were disclosed, which also were 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 11-1 - Accounting Expertise (repeat finding 10-1)**

**Criteria:**

SAS 115 states in part that the lack of accounting personnel with sufficient "training" to properly design 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 training to properly prepare their own financial report.

**Recommendation:**

The Entity should consider the risk benefits of continuing to allow the outside auditors to prepare the financial report 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, we feel that this is still a very important and very reliable way to report the transaction to the entity. We are taking responsibility for the preparation and fair presentation of the financial statements and we possess suitable skill, knowledge, and/or experience to evaluate the adequacy of any services in this area provided by the auditor.

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Findings and Responses (Continued)**  
**June 30, 2011**

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

**INTERNAL CONTROL:** (Continued)

**Finding 11-2 - Approvals and Documentation**

**Criteria:**

*Government Auditing Standards* Chapter A.04(h) states that, “inadequate controls for the safeguarding of assets” is a control deficiency.

**Condition Found:**

Upon review of the accounts payable and cash receipts processes the following conditions were found:

- 1) Not all disbursement in our sample had invoices or other supporting documentation.
- 2) Not all collection and deposit reports have three signatures.
- 3) A receipt for cash received was not properly recorded.

**Recommendation:**

- 1) All disbursements must be supported by invoices or other adequate supporting documentation. The documentation should be sufficient to determine that the expenditure was for a municipal purpose.
- 2) It is the Entity’s policy to have three signatures to approve all collection and deposit reports. This policy should be followed.
- 3) Only authorized officials should be able to accept cash receipts.

**Management’s Response:**

We concur. We will make every effort to correct each area as noted.

**COMPLIANCE:**

**Finding 11-3 - Expenditures Exceeded Budget (Repeat 10-2)**

**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 Student Activity Fund expenditures exceeded the budgeted amount by \$29,103.

**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 Findings and Responses (Continued)**  
**June 30, 2011**

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

**COMPLIANCE:** (Continued)

**Finding 11-4 - Deficit Balance in a Restricted Fund** (Repeat 10-3)

**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 English Club restricted funds ended the fiscal year with a deficit fund balance of \$3.

The FCA restricted funds ended the fiscal year with a deficit fund balance of \$77.

The Soccer restricted funds ended the fiscal year with a deficit fund balance of \$102.

**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, 2011**

**INTERNAL CONTROLS**

**Finding 10-1 - Accounting Expertise**  
Still in effect.

**COMPLIANCE**

**Finding 10-2 - Expenditures Exceeded Budget**  
Still in effect.

**Finding 10-3 - Deficit Balance in a Restricted Fund**  
Still in effect.