

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

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**

## **I. INTRODUCTORY SECTION**

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**RICHARD CITY-DEPTFORD SCHOOL**  
**School Board Members**  
**June 30, 2012**

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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richard City-Deptford School's financial statements as a whole. The Introductory Section, combining and individual nonmajor fund financial statements, and Supplemental Information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and Supplemental Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Chattanooga, Tennessee  
February 8, 2013

*Johnson, Murpley & 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, 2012. 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 \$1,756,040 (net assets).

Total governmental activities operated at a deficit of \$(68,913) for the year ended June 30, 2012.

During the year, RCDS spent part of the \$1,824,953 surplus left over from the year ended June 30, 2011.

### 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 \$1,756,040 at the close of this fiscal year.

A portion of the RCDS's net assets (80.08%) 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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 1,064,052	\$ 1,014,457
Capital assets	<u>4,516,613</u>	<u>4,666,298</u>
Total assets	<u>\$ 5,580,665</u>	<u>\$ 5,680,755</u>
Long-term liabilities outstanding	\$ 3,110,404	\$ 3,168,691
Other liabilities	<u>714,221</u>	<u>687,111</u>
Total liabilities	<u>\$ 3,824,625</u>	<u>\$ 3,855,802</u>
Net assets:		
Invested in capital assets - net of related debt	\$ 1,406,209	\$ 1,497,607
Restricted	29,009	19,665
Unrestricted	<u>320,822</u>	<u>307,681</u>
Total net assets	<u>\$ 1,756,040</u>	<u>\$ 1,824,953</u>

Approximately one percent of the RCDS's net assets represents resources that are subject to external restrictions on how they may be used. Therefore, \$320,822 in unrestricted net assets may be used to meet the School's ongoing obligations to its students and creditors.

At June 30, 2012, 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 \$(68,913).

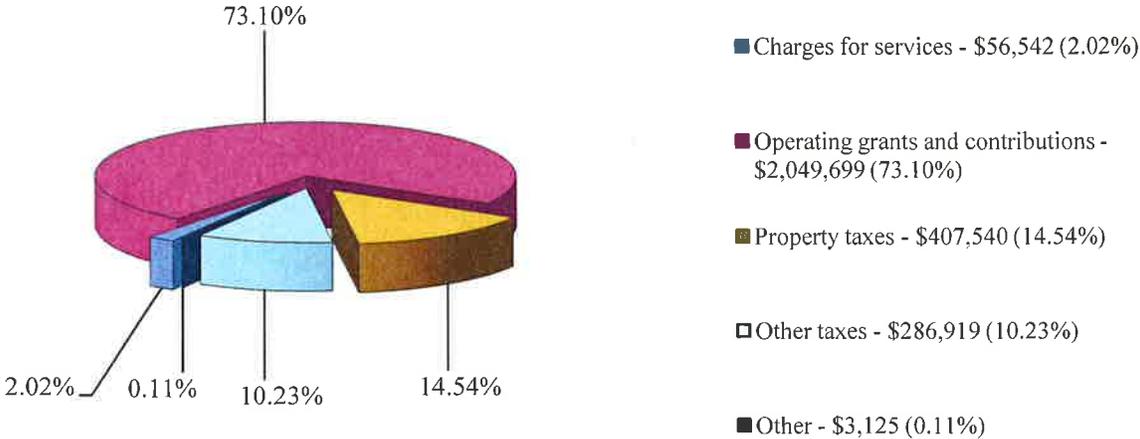
The table below provides a summary of RCDS's changes in net assets.

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 56,542	\$ 55,169
Operating grants and contributions	2,049,699	2,082,215
General revenues:		
Property taxes	407,540	397,589
Other taxes	286,919	243,941
Other	<u>3,125</u>	<u>16,386</u>
Total revenues	<u>2,803,825</u>	<u>2,795,300</u>
<b>Expenses:</b>		
Regular instruction	1,425,828	1,685,720
Special education program	130,324	134,939
Students and attendance	38,030	35,151
Health services	44,359	48,313
Other student support	6,373	35,261
Regular and special education support	50,672	58,068
Board of Education	63,132	51,885
Superintendent	95,676	96,760
Principal	87,529	87,117
Fiscal services	59,805	55,479
Plant operation	398,978	449,945
Maintenance of plant	21,473	21,784
Food service	148,230	149,946
Community services	6,148	5,785
Student activities	138,324	123,109
Interest on long-term debt	<u>157,857</u>	<u>160,459</u>
Total expenses	<u>2,872,738</u>	<u>3,199,721</u>
Increase (decrease) in net assets	( 68,913)	( 404,421)
<b>Net assets - beginning</b>	<u>1,824,953</u>	<u>2,229,374</u>
<b>Net assets - end</b>	<u>\$ 1,756,040</u>	<u>\$ 1,824,953</u>

The graphs below summarize the \$2,803,825 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 \$349,831.

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 \$320,822. 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 13.11% of total General Fund expenditures.

The fund balance of the RCDS’s General Fund increased by \$13,141 during the current fiscal year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$(3,156) and are listed below:

The major differences were:

Decrease in total revenues of \$200,993.

Decrease in total expenses of \$197,837.

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, 2012, amounted to \$4,516,613 (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:

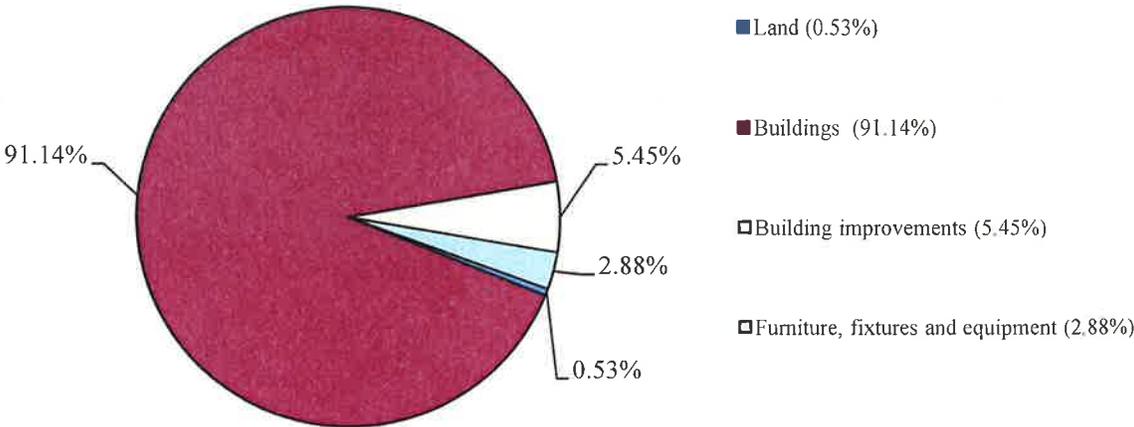
Laptops	\$ 10,079
Whiteboards	\$ 11,094
Istartsmart	\$ 6,475

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

	Governmental Activities
Land	\$ 24,000
Buildings	4,116,632
Building improvements	246,032
Furniture, fixtures and equipment	<u>129,949</u>
	<u>\$ 4,516,613</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**

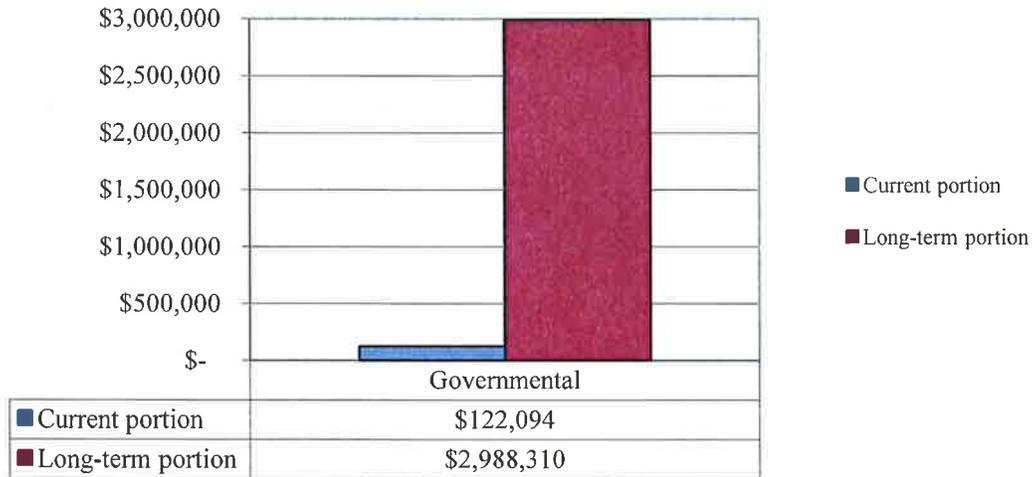
**Long-term Debt**

At the end of the current fiscal year, the RCDS had total long-term debt outstanding of \$3,110,404. Of this amount \$122,094 is due in the next fiscal year.

	<u>Governmental</u>
	<u>Activities</u>
School bonds - series 2000	\$ 1,230,000
School bonds - series 2004	<u>1,880,404</u>
	3,110,404
Current portion	<u>( 122,094)</u>
Long-term debt	<u>\$ 2,988,310</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 and is currently in the process of making monthly payments to repay the past due amount.

#### 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, 2012**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 313,097
Investments	253,976
Property tax receivable	373,502
Sales tax receivable	20,498
Grants receivable	25,556
Other current assets	77,423
Capital assets:	
Land and construction in progress	24,000
Other capital assets - net of accumulated depreciation	<u>4,492,613</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,580,665</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 12,247
Accrued liabilities	355,974
Deferred property taxes	346,000
Non-current liabilities:	
Due within one year	122,094
Due in more than one year	<u>2,988,310</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 3,824,625</u></b>
<b>NET ASSETS</b>	
Invested in capital assets - net of related debt	\$ 1,406,209
Restricted for:	
Student activities	29,009
Unrestricted	<u>320,822</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,756,040</u></b>

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Statement of Activities**  
**Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental activities:					
Regular instruction	\$ 1,425,828	\$ 15,265	\$ 1,691,305	\$ -	\$ 280,742
Special education program	130,324	-	87,971	-	(42,353)
Students and attendance	38,030	-	-	-	(38,030)
Health services	44,359	-	-	-	(44,359)
Other student support	6,373	7,468	-	-	1,095
Regular and special education support	50,672	-	30,618	-	(20,054)
Board of Education	63,132	-	-	-	(63,132)
Superintendent	95,676	-	-	-	(95,676)
Principal	87,529	-	-	-	(87,529)
Fiscal services	59,805	-	-	-	(59,805)
Plant operation	398,978	-	-	-	(398,978)
Maintenance of plant	21,473	-	-	-	(21,473)
Food service	148,230	33,809	92,232	-	(22,189)
Community services	6,148	-	-	-	(6,148)
Student activities	138,324	-	147,573	-	9,249
Interest on long-term debt	157,857	-	-	-	(157,857)
<b>Total primary government</b>	<b>\$ 2,872,738</b>	<b>\$ 56,542</b>	<b>\$ 2,049,699</b>	<b>\$ -</b>	<b>(766,497)</b>
General revenues:					
Property taxes					407,540
Payments in lieu of taxes					3,145
Local option sales tax					269,976
Hotel-motel tax					738
Bank excise tax					4,821
Wholesale beer tax					8,120
Other statutory local taxes					119
Interest revenue					3,125
Total general revenues					697,584
Change in net assets					(68,913)
Net assets - beginning					1,824,953
Net assets - end					<u>\$ 1,756,040</u>

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 264,498	\$ 48,599	\$ 313,097
Investments	253,976	-	253,976
Due from other funds	30,555	-	30,555
Property tax receivable	373,502	-	373,502
Sales tax receivable	20,498	-	20,498
Grants receivable	-	25,556	25,556
Other current assets	<u>77,423</u>	<u>-</u>	<u>77,423</u>
<b>TOTAL ASSETS</b>	<u>\$1,020,452</u>	<u>\$ 74,155</u>	<u>\$ 1,094,607</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 9,761	\$ 2,486	\$ 12,247
Accrued liabilities	343,869	12,105	355,974
Due to other funds	-	30,555	30,555
Deferred property taxes	<u>346,000</u>	<u>-</u>	<u>346,000</u>
Total liabilities	<u>699,630</u>	<u>45,146</u>	<u>744,776</u>
 <b>Fund Balances</b>			
Assigned	-	29,009	29,009
Unassigned	<u>320,822</u>	<u>-</u>	<u>320,822</u>
Total fund balances	<u>320,822</u>	<u>29,009</u>	<u>349,831</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$1,020,452</u>	<u>\$ 74,155</u>	<u>\$ 1,094,607</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, 2012**

Total fund balances per governmental funds balance sheet	\$ 349,831
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,516,613
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,110,404)</u>
Net assets of governmental activities	<u>\$ 1,756,040</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, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local taxes	\$ 671,460	\$ -	\$ 671,460
Special school district taxes	22,999	-	22,999
Licenses and permits	174	-	174
Charges for services	22,733	-	22,733
Other local revenues	35,636	95	35,731
Intergovernmental	1,707,215	194,911	1,902,126
Student activities	<u>-</u>	<u>146,823</u>	<u>146,823</u>
<b>TOTAL REVENUES</b>	<u>2,460,217</u>	<u>341,829</u>	<u>2,802,046</u>
<b>EXPENDITURES</b>			
<b>Current expenditures</b>			
Regular instruction	1,366,364	84,917	1,451,281
Special education program	68,487	61,632	130,119
Students and attendance	38,030	-	38,030
Health services	44,359	-	44,359
Other student support	3,856	2,517	6,373
Regular and special education support	4,827	45,845	50,672
Board of Education	63,132	-	63,132
Superintendent	95,676	-	95,676
Principal	87,529	-	87,529
Fiscal services	58,776	-	58,776
Plant operation	195,048	-	195,048
Maintenance of plant	21,284	-	21,284
Food service	151,331	-	151,331
Community services	6,148	-	6,148
Student activities	-	137,574	137,574
<b>Capital outlay</b>	26,085	-	26,085
<b>Debt service</b>	<u>216,144</u>	<u>-</u>	<u>216,144</u>
<b>TOTAL EXPENDITURES</b>	<u>2,447,076</u>	<u>332,485</u>	<u>2,779,561</u>
Excess (deficiency) of revenues over (under) expenditures	13,141	9,344	22,485
<b>Fund balances - beginning</b>	<u>307,681</u>	<u>19,665</u>	<u>327,346</u>
<b>Fund balances - end</b>	<u>\$ 320,822</u>	<u>\$ 29,009</u>	<u>\$ 349,831</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, 2012**

Net change in fund balances for total governmental funds	\$ 22,485
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.	(149,685)
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.	60,000
Notes issued is reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Assets. During the year additional loan proceeds were drawn on notes payable.	<u>(1,713)</u>
Change in net assets of governmental activities	<u>\$ (68,913)</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, 2012**

	<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>				
Local taxes				
County property taxes	\$ 374,951	\$ 355,413	\$ 384,541	\$ 29,128
Payments in lieu of taxes	3,975	3,975	3,145	(830)
Local option sales tax	232,510	217,910	269,976	52,066
Hotel-motel tax	2,500	2,500	738	(1,762)
Bank excise tax	6,369	6,369	4,821	(1,548)
Wholesale beer tax	10,000	10,000	8,120	(1,880)
Other statutory local taxes	385	385	119	(266)
Total local taxes	<u>630,690</u>	<u>596,552</u>	<u>671,460</u>	<u>74,908</u>
Special school district taxes				
City property tax	<u>20,550</u>	<u>20,550</u>	<u>22,999</u>	<u>2,449</u>
License and permits				
Marriage license	<u>200</u>	<u>200</u>	<u>174</u>	<u>(26)</u>
Charges for services				
Tuition	9,500	9,500	15,265	5,765
After school program	7,500	7,500	7,468	(32)
Total charges for services	<u>17,000</u>	<u>17,000</u>	<u>22,733</u>	<u>5,733</u>
Other local revenues				
Interest earned	20,000	20,000	3,029	(16,971)
Miscellaneous	3,500	3,500	-	(3,500)
Contributions and gifts	1,500	1,500	-	(1,500)
Lunch and snacks	36,500	36,500	32,607	(3,893)
Total other local revenues	<u>61,500</u>	<u>61,500</u>	<u>35,636</u>	<u>(25,864)</u>
Intergovernmental				
Education funds	1,556,355	1,389,500	1,518,337	128,837
Education funds - ARRA	-	-	77,335	77,335
Career ladder program	14,500	14,500	15,669	1,169
USDA lunch and breakfast	90,000	90,000	92,232	2,232
Education Jobs Fund	2,100	2,100	3,192	1,092
Race to the Top - ARRA	1,060	1,060	450	(610)
Total intergovernmental	<u>1,664,015</u>	<u>1,497,160</u>	<u>1,707,215</u>	<u>210,055</u>
<b>TOTAL REVENUES</b>	<u>2,393,955</u>	<u>2,192,962</u>	<u>2,460,217</u>	<u>267,255</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Regular instruction				
Teachers	\$ 1,016,281	\$ 931,517	\$ 1,002,602	\$ (71,085)
Career ladder program	12,425	12,425	16,500	(4,075)
Educational assistants	43,112	15,000	39,843	(24,843)
Substitute teachers	18,000	18,000	16,575	1,425
Payroll taxes	87,873	79,249	82,393	(3,144)
Medical insurance	40,800	40,800	45,884	(5,084)
State retirement	93,099	85,427	87,683	(2,256)
Other contracted services	33,000	41,010	66,916	(25,906)
Instructional supplies and materials	12,000	4,000	3,908	92
Textbooks	-	-	1,043	(1,043)
Other charges	13,693	3,150	3,017	133
Total regular instruction	<u>1,370,283</u>	<u>1,230,578</u>	<u>1,366,364</u>	<u>(135,786)</u>
Special education program				
Teachers	43,861	43,861	43,861	-
Educational assistants	10,080	10,080	7,560	2,520
Payroll taxes	4,127	4,127	3,934	193
State retirement	3,970	3,970	3,969	1
Instructional supplies and materials	300	300	293	7
Other contracted services	8,500	8,500	8,409	91
Other supplies and materials	700	700	461	239
Total special education program	<u>71,538</u>	<u>71,538</u>	<u>68,487</u>	<u>3,051</u>
Students and attendance				
Clerical personnel	31,538	31,538	34,489	(2,951)
Payroll taxes	2,412	2,412	2,639	(227)
Travel	100	100	52	48
Other supplies and materials	1,000	-	850	(850)
Total students and attendance	<u>35,050</u>	<u>34,050</u>	<u>38,030</u>	<u>(3,980)</u>
Health services				
Medical personnel	27,540	27,540	33,540	(6,000)
Payroll taxes	2,106	2,106	2,412	(306)
Drugs and medical supplies	250	520	419	101
Travel	2,750	-	1,882	(1,882)
Other	7,900	436	6,106	(5,670)
Total health services	<u>40,546</u>	<u>30,602</u>	<u>44,359</u>	<u>(13,757)</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Other student support				
Coaches	\$ 750	\$ -	\$ -	\$ -
Payroll taxes	58	-	-	-
Other contracted services	3,850	3,850	2,850	1,000
Other charges	1,500	500	1,006	(506)
Total other student support	<u>6,158</u>	<u>4,350</u>	<u>3,856</u>	<u>494</u>
Regular and special education support				
Other salaries	-	2,520	2,520	-
Payroll taxes	-	193	193	-
Travel	4,000	1,150	1,489	(339)
In-service/staff development	1,400	-	607	(607)
Other charges	-	36	18	18
Total regular and special education support	<u>5,400</u>	<u>3,899</u>	<u>4,827</u>	<u>(928)</u>
Board of Education				
Professional services	20,550	22,925	25,962	(3,037)
Dues and memberships	250	250	1,152	(902)
Travel	1,750	1,750	2,282	(532)
Insurance	19,595	18,595	21,068	(2,473)
Trustee commission	9,500	9,500	11,126	(1,626)
Other charges	300	1,440	1,542	(102)
Total Board of Education	<u>51,945</u>	<u>54,460</u>	<u>63,132</u>	<u>(8,672)</u>
Superintendent				
Administrative officer	62,830	62,830	62,830	-
Career ladder program	1,000	1,000	1,000	-
Secretary	7,500	7,500	7,500	-
Payroll taxes	5,456	5,456	5,450	6
Retirement	5,777	5,777	5,777	-
Communication	3,100	3,000	5,486	(2,486)
Dues and memberships	1,500	1,500	2,408	(908)
Travel	3,000	3,000	4,553	(1,553)
Other charges	775	819	672	147
Total Superintendent	<u>90,938</u>	<u>90,882</u>	<u>95,676</u>	<u>(4,794)</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Principal				
Principal	\$ 57,000	\$ 41,820	\$ 57,000	\$ (15,180)
Career ladder program	1,000	1,000	1,000	-
Secretary	7,500	7,500	7,500	-
Payroll taxes	4,521	3,361	4,459	(1,098)
Medical insurance	5,400	5,400	5,145	255
State retirement	4,732	3,786	5,340	(1,554)
Communication	3,100	3,000	5,486	(2,486)
Dues and memberships	100	100	55	45
Travel	1,250	1,250	1,434	(184)
Office supplies	250	250	19	231
Other charges	825	550	91	459
Total Principal	<u>85,678</u>	<u>68,017</u>	<u>87,529</u>	<u>(19,512)</u>
Fiscal services				
Accountants/bookkeepers	46,000	46,000	47,944	(1,944)
Payroll taxes	3,519	3,519	3,662	(143)
Travel	250	250	322	(72)
Office supplies	500	500	227	273
Other supplies and materials	450	450	516	(66)
Other charges	2,000	5,700	6,105	(405)
Total fiscal services	<u>52,719</u>	<u>56,419</u>	<u>58,776</u>	<u>(2,357)</u>
Plant operation				
Custodial personnel	56,336	56,336	57,581	(1,245)
Payroll taxes	4,310	4,310	4,222	88
Other contracted services	8,750	8,750	9,833	(1,083)
Insurance	12,204	12,204	10,404	1,800
Custodial supplies	12,000	12,000	12,491	(491)
Travel	1,000	1,000	1,138	(138)
Utilities	126,750	123,000	99,179	23,821
Other supplies and materials	2,750	1,750	200	1,550
Total plant operation	<u>224,100</u>	<u>219,350</u>	<u>195,048</u>	<u>24,302</u>
Maintenance of plant				
Maintenance and repairs - building	8,000	8,000	4,077	3,923
Maintenance and repairs - equipment	7,000	7,000	7,011	(11)
Vehicle	1,000	1,000	1,037	(37)
Equipment and machine parts	1,000	1,000	1,872	(872)
Other contracted services	9,000	9,000	7,287	1,713
Total maintenance of plant	<u>26,000</u>	<u>26,000</u>	<u>21,284</u>	<u>4,716</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current Expenditures (Continued)</b>				
Food service				
Cafeteria personnel	\$ 39,982	\$ 39,982	\$ 39,640	\$ 342
Payroll taxes	3,077	3,077	3,033	44
Contracted services	84,000	84,000	82,783	1,217
Travel	1,500	1,500	640	860
In-service/staff development	450	450	-	450
Other charges	36,185	15,000	25,017	(10,017)
Other supplies and materials	200	200	218	(18)
Maintenance and repairs	120	120	-	120
Total food service	<u>165,514</u>	<u>144,329</u>	<u>151,331</u>	<u>(7,002)</u>
Community services				
Other salaries and wages	5,300	5,300	5,700	(400)
Payroll taxes	406	406	448	(42)
Total community service	<u>5,706</u>	<u>5,706</u>	<u>6,148</u>	<u>(442)</u>
<b>Capital outlay</b>				
Regular instructional equipment	3,000	1,000	9,157	(8,157)
Special education program	-	-	205	(205)
Health service equipment	500	-	-	-
Fiscal services equipment	500	500	-	500
Plant operation equipment	4,000	2,000	-	2,000
Maintenance of plant	-	58	189	(131)
Building improvements	5,000	3,000	16,534	(13,534)
Total capital outlay	<u>13,000</u>	<u>6,558</u>	<u>26,085</u>	<u>(19,527)</u>
<b>Debt service</b>				
Principal paid on debt	60,000	60,000	60,000	-
Interest paid on debt	76,238	76,238	156,144	(79,906)
Total debt service	<u>136,238</u>	<u>136,238</u>	<u>216,144</u>	<u>(79,906)</u>
<b>TOTAL EXPENDITURES</b>	<u>2,380,813</u>	<u>2,182,976</u>	<u>2,447,076</u>	<u>(264,100)</u>
Excess (deficiency) of revenues over (under) expenditures	13,142	9,986	13,141	3,155
<b>Fund balances - beginning</b>	<u>307,681</u>	<u>307,681</u>	<u>307,681</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 320,823</u>	<u>\$ 317,667</u>	<u>\$ 320,822</u>	<u>\$ 3,155</u>

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 governmental 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. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis for column, and (b) is 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.

## 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) 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.

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.

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.

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

### C. Measurement Focus - Basis of Accounting (Continued)

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.

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.

### 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 decrease budgeted revenues by \$200,993, and decrease budgeted expenditures by \$197,837 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, 2012, there were no cash equivalents.

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

**G. Investments**

Investments are carried at fair value, 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.

**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 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.

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

**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, 2012, and February 8, 2013, 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, 2012, the carrying amount of the School's deposits was \$567,073, and the bank balance was \$356,859. 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	\$ 313,097
Investments	<u>253,976</u>
Total	<u>\$ 567,073</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>\$ 253,976</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 2012 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 2012 levy are considered to be owed to the School as of the lien date on January 1, 2012. Therefore, the entire 2012 levy was recorded as a receivable and deferred revenue as of June 30, 2012, in the financial statements.

#### NOTE 4 - GRANTS RECEIVABLE

Grant receivable at June 30, 2012, consists of the following:

U.S. Department of Education	
Elementary and Secondary Education Act	
Title 1, Part A	\$ 10,355
IDEA - Part B	9,236
IDEA - Preschool	1,042
Title II, Part A	2,265
Title VI	<u>2,658</u>
Total	<u>\$ 25,556</u>

#### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, 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	5,996	-	5,631,495
Building improvements	601,705	8,837	-	610,542
Furniture, fixtures and equipment	<u>296,189</u>	<u>39,413</u>	<u>( 35,066)</u>	<u>300,536</u>
Total capital assets being depreciated	<u>6,523,393</u>	<u>54,246</u>	<u>( 35,066)</u>	<u>6,542,573</u>
Less accumulated depreciation for:				
Buildings	1,379,500	135,363	-	1,514,863
Building improvements	324,236	40,274	-	364,510
Furniture, fixtures and equipment	<u>177,359</u>	<u>28,294</u>	<u>( 35,066)</u>	<u>170,587</u>
Total accumulated depreciation	<u>1,881,095</u>	<u>203,931</u>	<u>( 35,066)</u>	<u>2,049,960</u>
Total capital assets being depreciated - net	<u>4,642,298</u>	<u>( 149,685)</u>	<u>-</u>	<u>4,492,613</u>
Governmental activities capital assets - net	<u>\$ 4,666,298</u>	<u>\$ ( 149,685)</u>	<u>\$ -</u>	<u>\$ 4,516,613</u>

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

Plant operation	<u>\$ 203,931</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.	\$ 1,230,000
Bonds payable - School Bond - Series 2004, due in annual payments of \$107,020, interest rate 4.25%, maturing 9/26/2043.	<u>1,880,404</u>
	3,110,404
Less current portion of governmental long-term debt	<u>( 122,094)</u>
Total governmental long-term debt	<u>\$ 2,988,310</u>

A summary of changes in governmental long-term debt for the year ended June 30, 2012, is as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Amount due Within One Year</u>
School bonds - Series 2000	\$ 1,290,000	\$ -	\$ ( 60,000)	\$ 1,230,000	\$ 65,000
School bonds - Series 2004	<u>1,878,691</u>	<u>1,713</u>	<u>-</u>	<u>1,880,404</u>	<u>57,094</u>
Total	<u>\$ 3,168,691</u>	<u>\$ 1,713</u>	<u>\$ ( 60,000)</u>	3,110,404	<u>\$ 122,094</u>
Less: current portion of Governmental long-term debt				<u>( 122,094)</u>	
Total governmental long-term debt				<u>\$ 2,988,310</u>	

Interest paid during the year ended June 30, 2012, on governmental long-term debt amounted to \$157,857.

Governmental debt service requirements to maturity including interest of \$2,147,876 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 122,094	\$ 151,220	\$ 273,314
2014	99,468	146,477	245,945
2015	105,720	141,375	247,095
2016	112,026	135,906	247,932
2017	113,387	129,986	243,373
2018-2022	679,464	550,308	1,229,772
2023-2027	603,297	347,801	951,098
2028-2032	287,268	247,832	535,100
2033-2037	353,728	181,372	535,100
2038-2042	435,561	99,539	535,100
2043-2044	<u>198,391</u>	<u>16,060</u>	<u>214,451</u>
Total	<u>\$ 3,110,404</u>	<u>\$ 2,147,876</u>	<u>\$ 5,258,280</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 \$29,009 are legally restricted for the promotion of student activities.

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

Assigned - represents \$29,009 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 \$(3,110,404) difference are as follows:

Bonds payable	<u>\$ ( 3,110,404)</u>
Net adjustment	<u>\$( 3,110,404)</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 \$(149,685) difference are as follows:

Depreciation expense	\$ ( 203,931)
Capital outlay	<u>54,246</u>
Net adjustment	<u>\$ ( 149,685)</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 \$60,000 difference are as follows:

Principal repayments:	
Bonds	\$ <u>60,000</u>
Net adjustment	\$ <u>60,000</u>

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

The School has no material noncompliance with finance related legal and contractual provisions, except for the violation of the debt covenant (See Note 17).

**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, 2012, 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, 2012, 2011 and 2010 were \$110,356, \$129,210 and \$80,727, 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, 2012, the School does not have any material contingent liabilities that would have a material effect on the School's financial condition, except for the missed payments to the Rural Development Corporation (See Note 17).

**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	\$ -	\$ 346,000	\$ 346,000

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. The Board of Education has hired new management after June 30, 2012, to run the school system.

**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, 2012**

	<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>ASSETS</b>			
Cash	\$ 33,509	\$ 15,090	\$ 48,599
Grants receivable	<u>-</u>	<u>25,556</u>	<u>25,556</u>
<b>TOTAL ASSETS</b>	<u>\$ 33,509</u>	<u>\$ 40,646</u>	<u>\$ 74,155</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 2,486	\$ 2,486
Accrued liabilities	4,500	7,605	12,105
Due to other funds	<u>-</u>	<u>30,555</u>	<u>30,555</u>
Total liabilities	<u>4,500</u>	<u>40,646</u>	<u>45,146</u>
 <b>Fund Balances</b>			
Assigned	<u>29,009</u>	<u>-</u>	<u>29,009</u>
Total fund balances	<u>29,009</u>	<u>-</u>	<u>29,009</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 33,509</u>	<u>\$ 40,646</u>	<u>\$ 74,155</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Non-major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2012**

	<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	\$ 95	\$ -	\$ 95
Intergovernmental	-	194,911	194,911
Student activities	<u>146,823</u>	<u>-</u>	<u>146,823</u>
<b>TOTAL REVENUES</b>	<u>146,918</u>	<u>194,911</u>	<u>341,829</u>
 <b>EXPENDITURES</b>			
<b>Current expenditures</b>			
Regular instruction	-	84,917	84,917
Special education program	-	61,632	61,632
Other student support	-	2,517	2,517
Regular and special education support	-	45,845	45,845
Student activities	<u>137,574</u>	<u>-</u>	<u>137,574</u>
<b>TOTAL EXPENDITURES</b>	<u>137,574</u>	<u>194,911</u>	<u>332,485</u>
 Excess (deficiency) of revenues over (under) expenditures	 9,344	 -	 9,344
<b>Fund balances - beginning</b>	<u>19,665</u>	<u>-</u>	<u>19,665</u>
<b>Fund balances - end</b>	<u>\$ 29,009</u>	<u>\$ -</u>	<u>\$ 29,009</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Student Activity Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2012**

	<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	\$ -	\$ -	\$ 95	\$ 95
Student activities				
Annual	-	-	11,227	11,227
Instruction supplies	-	-	14,209	14,209
Magazine sales	-	-	2,109	2,109
School production and trips	-	-	35,955	35,955
Fund-raising	-	-	2,485	2,485
Maintenance and operations	-	-	2,641	2,641
Athletics	-	-	26,684	26,684
Senior class	-	-	4,211	4,211
Administration	-	-	4,085	4,085
Class and clubs	-	-	43,217	43,217
Total student activities	<u>-</u>	<u>-</u>	<u>146,823</u>	<u>146,823</u>
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>146,918</u>	<u>146,918</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Annual	-	-	3,644	(3,644)
Instruction supplies	-	-	10,053	(10,053)
Magazine sales	-	-	1,193	(1,193)
School production and trips	-	-	41,643	(41,643)
Fund-raising	-	-	2,485	(2,485)
Maintenance and operations	-	-	6,102	(6,102)
Athletics	-	-	21,973	(21,973)
Senior class	-	-	6,578	(6,578)
Administration	-	-	4,029	(4,029)
Class and clubs	-	-	39,874	(39,874)
Total student activities	<u>-</u>	<u>-</u>	<u>137,574</u>	<u>(137,574)</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>137,574</u>	<u>(137,574)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	9,344	9,344
<b>Fund balances - beginning</b>	<u>19,665</u>	<u>19,665</u>	<u>19,665</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 19,665</u>	<u>\$ 19,665</u>	<u>\$ 29,009</u>	<u>\$ 9,344</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Federal Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Year Ended June 30, 2012**

	<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>				
Intergovernmental				
Title I	\$ -	\$ -	\$ 67,318	\$ 67,318
Title II - Part A	-	-	8,871	8,871
Title IV	-	-	30,618	30,618
Drug Free Tennessee	-	-	133	133
IDEA - Part B	-	-	83,636	83,636
IDEA - Preschool	-	-	4,335	4,335
	<u>-</u>	<u>-</u>	<u>194,911</u>	<u>194,911</u>
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>194,911</u>	<u>194,911</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Regular instruction				
Educational assistants	-	-	23,087	(23,087)
Payroll taxes	-	-	1,766	(1,766)
Retirement	-	-	2,074	(2,074)
Instructional materials	-	-	44,605	(44,605)
Other charges	-	-	3,759	(3,759)
Repairs and maintenance	-	-	398	(398)
Title transfer	-	-	9,228	(9,228)
Total regular instruction	<u>-</u>	<u>-</u>	<u>84,917</u>	<u>(84,917)</u>
Special education program				
Teachers	-	-	34,140	(34,140)
Educational assistants	-	-	12,521	(12,521)
Payroll taxes	-	-	3,497	(3,497)
Retirement	-	-	3,090	(3,090)
Contracted services	-	-	4,992	(4,992)
Instructional materials	-	-	3,392	(3,392)
Total special education program	<u>-</u>	<u>-</u>	<u>61,632</u>	<u>(61,632)</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Other student support				
Payroll taxes	\$ -	\$ -	\$ 150	\$ (150)
Other supplies/materials	-	-	2,367	(2,367)
Total other student support	-	-	2,517	(2,517)
Regular and special education support				
Supervisor/coordinator/secretary	-	-	28,518	(28,518)
Payroll taxes	-	-	2,182	(2,182)
Retirement	-	-	2,332	(2,332)
Staff development	-	-	5,478	(5,478)
Other supplies/materials	-	-	1,404	(1,404)
Travel	-	-	5,931	(5,931)
Total regular and special education support	-	-	45,845	(45,845)
<b>TOTAL EXPENDITURES</b>	-	-	194,911	(194,911)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - end</b>	\$ -	\$ -	\$ -	\$ -

**SUPPLEMENTAL INFORMATION**

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Identification Number</u>	<u>(Receivable) Deferred July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred June 30, 2012</u>
<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	2012.01	\$ (3,012)	\$ 50,747	\$ 58,090	\$ (10,355)
IDEA - Part B	84.027	2012.01	(4,221)	78,621	83,636	(9,236)
	84.027		(1,294)	1,294	-	-
IDEA - Preschool	ARRA 84.392A	2010 ARRA	(81)	3,374	4,335	(1,042)
Title II, Part A	84.367		(3,723)	10,330	8,872	(2,265)
Title II, Part D			(167)	167	-	-
Title IV - Drug Free	84.186	2012.21	-	133	133	-
Title VI	84.358A		(30)	27,990	30,618	(2,658)
State Discretionary - Coordinated School Health - Expansion	ARRA 84.397		(22,091)	95,091	73,000	-
Race to the Top	ARRA 84.395		(15,857)	16,307	450	-
Education Jobs Fund	84.410		(21,314)	24,506	3,192	-
Total federal financial awards			(71,790)	308,560	262,326	(25,556)

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2012**

**STATE FINANCIAL ASSISTANCE**

State Discretionary - Early Childhood Education - Pilot/State	<u>\$ (31,986)</u>	<u>\$ 126,445</u>	<u>\$ 94,459</u>	<u>\$ -</u>
Total state financial awards	<u>(31,986)</u>	<u>126,445</u>	<u>94,459</u>	<u>-</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>	<u><b>\$ (103,776)</b></u>	<u><b>\$ 435,005</b></u>	<u><b>\$ 356,785</b></u>	<u><b>\$ (25,556)</b></u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2012**

**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, 2012**

<u>Employee</u>	<u>Insurance Company</u>	<u>Bond</u>	<u>Expires</u>
Larry S. Mannon	Western Surety Company	\$ 150,000	6/30/2013

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Debt Service Requirements**  
**June 30, 2012**

**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>
2013	\$ 65,000	\$ 72,467	\$ 137,467
2014	70,000	68,925	138,925
2015	75,000	65,075	140,075
2016	80,000	60,912	140,912
2017	80,000	56,353	136,353
2018	85,000	51,792	136,792
2019	90,000	46,778	136,778
2020	100,000	41,467	141,467
2021	105,000	35,468	140,468
2022	110,000	29,167	139,167
2023	115,000	22,513	137,513
2024	125,000	15,555	140,555
2025	<u>130,000</u>	<u>7,930</u>	<u>137,930</u>
Total	<u>\$ 1,230,000</u>	<u>\$ 574,402</u>	<u>\$ 1,804,402</u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Debt Service Requirements**  
**June 30, 2012**

**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>
2013	\$ 57,094	\$ 78,753	\$ 135,847
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	<u>99,864</u>	<u>7,567</u>	<u>107,431</u>
<b>Total</b>	<u><b>\$ 1,880,404</b></u>	<u><b>\$ 1,573,474</b></u>	<u><b>\$ 3,453,878</b></u>

**RICHARD CITY-DEPTFORD SCHOOL**  
**General Fund**  
**Schedule of Tax Rates, Assessments and Taxes Receivable**  
**June 30, 2012**

<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
2012	\$ .19	\$.0745	\$ 12,688,335	\$ 608,865,106	\$ 346,000
2011	\$ .19	\$.0649	\$ 11,287,300	\$ 517,719,568	20,996
2010	\$ .21	\$.0648	\$ 8,523,810	\$ 424,382,716	6,225
2009	\$ .21	\$.0708	\$ 8,571,429	\$ 388,418,079	281
2008	\$ .21	\$.0652	\$ 9,857,143	\$ 480,061,350	-
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		-
					<u>373,502</u>
					(       - )
					<u>\$ 373,502</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, 2012, and have issued our report thereon dated February 8, 2013. 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 12-1 and 12-2 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Richard City-Deptford School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 12-3 and 12-4.

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  
February 8, 2013

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

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Findings and Responses**  
**June 30, 2012**

**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 12-1 - Accounting Expertise (repeat 11-1)**

**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, 2012**

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

**INTERNAL CONTROL:** (Continued)

**Finding 12-2 - Approvals and Documentation** (repeat 11-2)

**Criteria:**

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

**Condition Found:**

Not all disbursements, including credit card purchases, in our sample had invoices or other supporting documentation.

**Recommendation:**

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.

**Management’s Response:**

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

**COMPLIANCE:**

**Finding 12-3 - Expenditures Exceeded Budget** (repeat 11-3)

**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 \$264,101.  
The School’s Student Activity Fund expenditures exceeded the budgeted amount by \$137,574.  
The School’s Federal Projects Fund expenditures exceeded the budgeted amount by \$194,911.

**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, 2012**

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

**COMPLIANCE:** (Continued)

**Finding 12-4 - Violation of Debt Covenant**

**Criteria:**

Tennessee Internal School Uniform Accounting Policy Manual, Section 3, states that “Duties and responsibilities of the directors of schools include... ensuring that remedial action is taken to resolve any audit findings”.

**Condition Found:**

The School failed to make its September, 2011, principal and interest payment to Rural Development Corporation. This debt covenant violation was referred to in the School’s June 30, 2011, annual financial report.

**Recommendation:**

The School should maintain a cash flow sufficient to meet its debt covenant.

**Management’s Response:**

We concur. We have drastically cut budgeted expenditures and the Board of Education has hired new management in an attempt to increase cash flow.

**RICHARD CITY-DEPTFORD SCHOOL**  
**Schedule of Prior Audit Findings**  
**June 30, 2012**

**INTERNAL CONTROLS**

**Finding 11-1 - Accounting Expertise**  
Still in effect.

**Finding 11-2 - Approvals and Documentation**  
Still in effect.

**COMPLIANCE**

**Finding 11-3 - Expenditures Exceeded Budget**  
Still in effect.

**Finding 11-4 - Deficit Balance in a Restricted Fund**  
Corrected.