



Financial Statements
June 30, 2011

Norman Independent School District No. 29

Norman Independent School District No. 29
Cleveland County, Oklahoma
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June 30, 2011

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Independent Auditor's Report

To the Board of Education
Norman Independent School District No. 29
Norman, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Norman Independent School District No. 29 (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 basic 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, each major fund and the aggregate remaining fund information of the Norman Independent School District No. 29, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the District's internal control over financial reporting and 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 and budgetary comparison information on pages 3 through 9 and 27 through 28, respectively, 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 basic financial statements that collectively comprise the District's basic financial statements as a whole. The information shown in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining nonmajor fund financial statements, the statement of changes in assets and liabilities- all activity funds, and the schedule of expenditures of federal awards 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 budgetary comparison schedule- Building Fund, budgetary comparison schedule- Child Nutrition Fund; the statement of statutory, fidelity, and honesty bonds; and the schedule of accountants' professional liability insurance affidavit have 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 them.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 14, 2011

This section of Norman Independent School District's (NISD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status improved from last year. Total net assets increased approximately 8.7 percent over the course of the year.
- Overall revenues were \$124 million and overall expenses were \$116.4 million.
- The District increased its outstanding long-term debt \$57.4 million, or 87.8 percent.

Overview of the Financial Statements

This annual report consists of three parts -- management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the district-wide statements.

The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1
Major Features of District-Wide and Fund Financial Statements

| | <u>District-wide Statements</u> | <u>Fund Financial Statements Governmental Funds</u> |
|---|--|---|
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance |
| Required financial statements | 1) Statement of net assets 2) Statement of activities | 1) Balance Sheet 2) Statement of revenues, expenditures, and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable |

Figure A-1 summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are categorized as governmental activities.

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid formula finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

Most of the District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Financial Analysis of the District as A Whole

Table A-1
Norman Public School's Net Assets
(in millions of dollars)

| | 2010 | 2011 |
|---|----------------|----------------|
| Current and other assets | \$ 71.5 | \$ 65.9 |
| Capital assets | 93.1 | 163.0 |
| Total assets | 164.6 | 228.9 |
| Long-term debt outstanding | 65.4 | 122.8 |
| Other liabilities | 9.9 | 9.1 |
| Total liabilities | 75.3 | 131.9 |
| Net assets: | | |
| Invested in capital assets, net of debt | 66.3 | 63.0 |
| Restricted | 15.2 | 22.4 |
| Unrestricted | 7.8 | 11.6 |
| Total net assets | \$ 89.3 | \$ 97.0 |

Net Assets. The District's *combined* net assets were larger on June 30, 2011, than they were the year before – increasing nearly \$7.8 million from \$89.3 million to approximately \$97.0 million. (See Table A-1) Most of this improvement is mainly due to capital outlays to purchase or build capital assets, the recognition of property taxes earned, even though not yet collected, and also a result of long-term debt repayments less than debt issued.

The District's improved financial position is the product of many factors. Growth during the year in taxes was a significant contributor to this improvement. Another notable factor was that despite the fact the State appropriation payments to school districts decreased, federal funds increased.

Table A-2
Changes in Norman Public School's Net Assets
 (in millions of dollars)

| | 2010 | 2011 |
|-------------------------------|---------------|---------------|
| Revenues | | |
| Program Revenues | | |
| Charges for services | \$ 6.4 | \$ 5.8 |
| Federal and state grants | 18.2 | 19.4 |
| General revenues | | |
| Property taxes | 48.0 | 50.3 |
| Other taxes | 9.1 | 10.0 |
| State entitlement | 38.9 | 38.3 |
| Other general revenues | 0.2 | 0.2 |
| Total revenues | 120.8 | 124.0 |
| | | |
| Expenses | | |
| Program expenses | | |
| Instruction | 61.2 | 65.7 |
| Support services | 37.9 | 37.1 |
| Non-instruction | 6.8 | 6.4 |
| Interest on long-term debt | 1.5 | 2.1 |
| Depreciation-unallocated | 4.6 | 5.0 |
| Total expenses | 112.0 | 116.3 |
| | | |
| Increase in net assets | \$ 8.8 | \$ 7.7 |

Changes in net assets. The District's total revenues increased \$3.3 million to \$124.0 million (See Table A-2). Property taxes and state entitlement funds accounted for most of the District's revenue, with each contributing about 71.5 cents of every dollar raised. Another 15.7 percent came from state and federal aid for specific programs, and the remainder from fees charged for services and miscellaneous sources. Total revenues surpassed expenses, increasing net assets \$7.7 million over last year.

The total cost of all programs and services increased by \$4.4 million to \$116.4 million. The District's expenses are predominantly related to educating and caring for students (88.4 percent). The purely administrative activities of the District accounted for just 1 percent of total costs. The most significant contributors to the change in net assets were the funds used to purchase or build capital assets, and also the funds necessary for repayment of principal on long-term debt issues. Repayments on long-term debt this year were less than debt issued.

Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported *combined* fund balances of \$54.4 million, compared to last year's ending fund balances of \$59 million.

With the exception of the General Fund, Debt Service Fund, Building Fund, Student Activity Fund, Gifts Fund and the Casualty/Insurance Fund, all of the District's governmental funds had more expenditures than revenues in 2011.

The excess expense over revenues in the Bond Funds was attributable to the payment on bond projects in subsequent years following receipt of bond proceeds. Also, the Bond Fund expenditures exceeded revenues as the District dealt with decreased state funding and utilized undesignated bond dollars to pay for some instructional materials and technology that were allowable from these funds.

General Fund Budgetary Highlights

At the beginning of the 2011 fiscal year, the District's State Entitlement funds (the State Aid Formula funds) were reduced by approximately \$2.5 million from the previous fiscal year. This was due to the elimination of Federal Stabilization funding that had been used in 2010 to replace the loss in State appropriations. The expected deficit triggered conservative revenue budgeting and reduced expenditure budgets.

However, in October 2010, the federal government once again provided districts across the nation with relief from State budget cuts, and approximately \$2.5 million Education Jobs Federal funds were received by the District. As a result the District's projected drop in fund balance turned into a positive increase instead.

- Actual revenues were higher than expected at midyear, due largely to a high collection rate of property tax revenues. Also, County 4-mill ad valorem revenue increased, and school land earnings were higher than expected.
- The actual expenditures were below budget, due primarily to the shifting of expenses to other funds and by expenditure budgets that remained unspent at June 30, 2011.

Capital Asset and Debt Administration

Capital Assets

By the end of 2011, the District had invested over \$35 million in a broad range of capital assets, including new classroom additions, athletic facilities, computer and audiovisual equipment, and building improvements.

The District anticipates spending approximately \$60 million for capital projects in 2012, with some of the major projects as follows:

- \$16,000,000 to complete the construction of a new elementary school
- \$8,500,000 to begin renovation projects at both high schools
- \$8,000,000 to begin renovation projects at five elementary schools
- \$11,600,000 to complete renovation projects at the four middle schools
- \$5,000,000 to complete three elementary classroom additions
- \$3,500,000 to begin renovations at the administration building
- \$2,000,000 to begin two elementary renovation projects
- \$2,500,000 to continue various elementary school renovation projects
- \$1,500,000 to complete the district-wide intelligent classroom project

Long-term Debt

At year-end the District had \$123.1 million in total long-term debt outstanding. This is an increase of 88 percent from last year's amount of \$65.4 million. (More detailed information about the District's long-term liabilities is presented in Note 3 to the financial statements).

- The District continued to pay down its debt, retiring \$10,750,000 of outstanding bonds.
- \$6,440,000 in new bond debt was issued during the year.

In recent history the District held a school bond election each year. The District held its first multi-year bond election in 2008. The District's 2008 bond election was a two-year bond for \$43 million, the largest bond election taken to the patrons in the District's history.

In December 2009, the District planned another multi-year bond election to provide the opportunity to make facility improvements and additions as well as provide quality instructional technology to all students more quickly. This \$109 million bond issue is being funded with lease revenue bonds. The bonds are being issued in a timely manner over five years to match current millage rates to assure citizens will not face any additional taxes. The \$6,440,000 issued this year was the 2nd in the 5 year series.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Current revenue trends continue to improve for the State of Oklahoma.
- Even if the state's recovery continues at the present pace, it's important to note the Legislature and the Governor used \$486 million in one-time funds to close the \$600 million gap faced in the 2011 State budgeting process.
- So despite tax collections coming in above projections this fiscal year, state budget officials are warning agencies to expect a flat budget at best for next year.
- The District will have to continue to work on maximizing efficiency and doing more with less.

Contacting the District's Financial Management

This financial report is designated to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's Office, Norman Public School District, 131 South Flood, Norman, OK 73069.

Norman Independent School District No. 29
 Cleveland County, Oklahoma
 Statement of Net Assets
 June 30, 2011

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash | 56,653,815 |
| Property taxes receivable (net) | 4,478,342 |
| Due from other governments | 3,450,600 |
| Other receivables | 1,200,751 |
| Inventories | 105,643 |
| Nondepreciated capital assets | 70,683,093 |
| Depreciated capital assets, net of depreciation | 92,314,015 |
| Total Assets | 228,886,259 |
| Liabilities | |
| Accounts payable and other current liabilities | 8,918,364 |
| Deferred revenue | 115,557 |
| Long-term obligations | |
| Due within one year | 36,603,117 |
| Due beyond one year | 86,257,500 |
| Total Liabilities | 131,894,538 |
| Net Assets | |
| Invested in capital assets, net of related debt | 63,016,940 |
| Restricted for: | |
| Debt service | 17,429,248 |
| School organizations | 1,740,007 |
| Child nutrition | 315,746 |
| Buildings | 2,893,845 |
| Unrestricted | 11,595,935 |
| Total Net Assets | \$ 96,991,721 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Changes in Net Assets |
|--|----------------|-------------------------|--|--|---|
| Governmental Activities: | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| Instruction | 65,669,574 | 130,884 | 16,489,759 | \$ - | \$ (49,048,931) |
| Support services | 37,133,007 | 2,189,412 | 472,342 | - | (34,471,253) |
| Non-instruction services | 6,362,158 | 3,494,922 | 2,466,999 | - | (400,237) |
| Interest on long-term debt | 2,158,483 | - | - | - | (2,158,483) |
| Judgments and related interest | 22,500 | - | - | - | (22,500) |
| Depreciation - unallocated | 5,007,696 | - | - | - | (5,007,696) |
| Total school district | \$ 116,353,418 | \$ 5,815,218 | \$ 19,429,100 | \$ - | (91,109,100) |
| General Revenues: | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 27,283,922 |
| Property taxes, levied for building purposes | | | | | 3,892,537 |
| Property taxes, levied for debt service | | | | | 19,125,017 |
| General taxes | | | | | 10,008,054 |
| State aid - formula grants | | | | | 38,325,312 |
| Investment earnings | | | | | 158,246 |
| Total General Revenues | | | | | 98,793,088 |
| Change in net assets | | | | | 7,683,988 |
| Net assets - beginning | | | | | 89,307,733 |
| Net assets - ending | | | | | \$ 96,991,721 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2011

| Assets | General Fund | Debt Service Fund | 2010 Bond Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|---|--------------------------------|
| Pooled Cash and Investments | \$ 10,920,044 | \$ 18,287,549 | \$ 13,979,332 | \$ 13,466,890 | \$ 56,653,815 |
| Property Taxes Receivable, net | 2,516,167 | 1,620,139 | - | 342,036 | 4,478,342 |
| Due from Other Governments | 3,450,600 | - | - | - | 3,450,600 |
| Other Receivables | 1,151,318 | 1,600 | 3,900 | 43,933 | 1,200,751 |
| Inventories - Supplies, Materials | 105,643 | - | - | - | 105,643 |
| Total Assets | \$ 18,143,772 | \$ 19,909,288 | \$ 13,983,232 | \$ 13,852,859 | \$ 65,889,151 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable and Accrued Liabilities | \$ 6,122,259 | \$ - | \$ 217,686 | \$ 814,132 | \$ 7,154,077 |
| Deferred Revenue | 2,424,290 | 1,518,184 | - | 386,898 | 4,329,372 |
| Total Liabilities | 8,546,549 | 1,518,184 | 217,686 | 1,201,030 | 11,483,449 |
| Fund Balances | | | | | |
| Nonspendable | 105,643 | - | - | - | 105,643 |
| Restricted | 1,761,232 | 18,391,104 | 13,765,546 | 10,911,822 | 44,829,704 |
| Committed | 12,992 | - | - | 1,740,007 | 1,752,999 |
| Assigned | 50,422 | - | - | - | 50,422 |
| Unassigned | 7,666,934 | - | - | - | 7,666,934 |
| Fund Balances, End of Year | 9,597,223 | 18,391,104 | 13,765,546 | 12,651,829 | 54,405,702 |
| Total Liabilities and Fund Balances | \$ 18,143,772 | \$ 19,909,288 | \$ 13,983,232 | \$ 13,852,859 | |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$229,383,960 and the accumulated depreciation is \$66,386,852. | | | | | 162,997,108 |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | | | | 4,213,815 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | | | | | |
| | | | | Bonds Payable (including premiums) | 59,517,822 |
| | | | | Long-Term Revenue Lease Payable | 61,900,000 |
| | | | | Accrued Interest on Bonds | 712,610 |
| | | | | Accrued Interest on Long-Term Lease Payable | 791,688 |
| | | | | Long-Term Judgment Payable | 15,000 |
| | | | | Compensated Absences | 1,687,784 |
| Total Net Assets - Governmental Activities | | | | | \$ 96,991,721 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2011

| | General Fund | Debt Service Fund | 2010 Bond Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Property Taxes | \$ 27,105,952 | \$ 18,751,341 | \$ - | \$ 3,868,132 | \$ 49,725,425 |
| Interest | 23,530 | 43,027 | 49,763 | 41,928 | 158,248 |
| County Revenue | 2,948,383 | - | - | - | 2,948,383 |
| State Revenue | 47,430,974 | - | - | 77,830 | 47,508,804 |
| Federal Revenue | 13,716,163 | - | - | 2,388,468 | 16,104,631 |
| Other | 1,860,686 | 803 | - | 4,434,958 | 6,296,447 |
| Total Revenues | <u>93,085,688</u> | <u>18,795,171</u> | <u>49,763</u> | <u>10,811,316</u> | <u>122,741,938</u> |
| Expenditures | | | | | |
| Instruction | 56,779,875 | - | 6,852,471 | 1,542,127 | 65,174,473 |
| Support services | 31,820,560 | - | 1,005,775 | 4,594,670 | 37,421,005 |
| Non-instruction services | 33,184 | - | 21,483 | 5,083,749 | 5,138,416 |
| Capital Outlays | 37,008 | - | 2,577,938 | 10,298,786 | 12,913,732 |
| Other Outlays | 419,075 | - | - | 36,220 | 455,295 |
| Debt Service | | | | | |
| Judgments | - | 7,500 | - | - | 7,500 |
| Interest paid | - | 1,878,974 | - | - | 1,878,974 |
| Principal retirement | - | 10,750,000 | - | - | 10,750,000 |
| Total Expenditures | <u>89,089,702</u> | <u>12,636,474</u> | <u>10,457,667</u> | <u>21,555,552</u> | <u>133,739,395</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>3,995,986</u> | <u>6,158,697</u> | <u>(10,407,904)</u> | <u>(10,744,236)</u> | <u>(10,997,457)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 7,813 | - | - | 40,425 | 48,238 |
| Transfers Out | - | (40,425) | - | (7,813) | (48,238) |
| Premium on Bonds | - | 6,440 | - | - | 6,440 |
| Proceeds of Bonds | - | - | - | 6,440,000 | 6,440,000 |
| Total Other Financing Sources (Uses) | <u>7,813</u> | <u>(33,985)</u> | <u>-</u> | <u>6,472,612</u> | <u>6,446,440</u> |
| Net Change in Fund Balances | 4,003,799 | 6,124,712 | (10,407,904) | (4,271,624) | (4,551,017) |
| Beginning Fund Balances | <u>5,593,424</u> | <u>12,266,392</u> | <u>24,173,450</u> | <u>16,923,453</u> | <u>58,956,719</u> |
| Ending Fund Balances | <u>\$ 9,597,223</u> | <u>\$ 18,391,104</u> | <u>\$ 13,765,546</u> | <u>\$ 12,651,829</u> | <u>\$ 54,405,702</u> |

Norman Independent School District No. 29

Cleveland County, Oklahoma

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2011

| | | |
|--|----------------------------------|---------------------|
| Total net changes in fund balances - governmental funds | | \$ (4,551,017) |
| The change in nets assets reported in the statement of activities is different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation during the period. | (5,007,696) <u>13,022,271</u> | 8,014,575 |
| Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are, however, recorded as revenues in the statement of activities. | | 567,269 |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, vacation and sick leave earned exceeded amounts used. | | (334,615) |
| Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Debt repayments this year exceeded debt issued. | (6,440,000) <u>10,750,000</u> | 4,310,000 |
| The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the accrual-based government-wide financial statements. Commodity used this year exceeded commodities received. | | (21,275) |
| Judgments against the District are shown as a liability on the statement of net assets and an expenditure on the governmental fund level. | | (15,000) |
| Bond premiums are shown as a liability on the statement of net assets and as revenue in the governmental fund. The bond premium is amortized against interest expense using the effective interest method. | | 184,469 |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources when paid. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. | | <u>(470,418)</u> |
| Change in net assets of governmental activities | | <u>\$ 7,683,988</u> |

Note 1 - Summary of Significant Accounting Policies

The Norman Independent School District No. 29 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The District's financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

The Reporting Entity - The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

Basic Financial Statements – Government-Wide Statements - The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental Activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Assets, the District's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

All interfund transactions are eliminated in the district-wide statements.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental fund categories.

The District reports the following major governmental funds:

- **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Debt Service Fund** is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- **2010 Bond Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities as approved by the voters for the 2010 bond issue.

Additionally, the District reports the following fund types included in the Other Governmental Funds column:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund.
2. **Capital Project Funds** – The proceeds from long-term financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual: The funds' financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Inventories - Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an expenditure when used rather than when purchased.

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds.

Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---|----------|
| School Buildings | 50 years |
| Site Improvements | 20 years |
| Portable Classrooms | 25 years |
| Kitchen Equipment | 15 years |
| Business Machines and Computers | 5 years |
| Licensed Vehicles | 8 years |
| Audio Visual Equipment, Musical Instruments | 10 years |

Compensated Absences - Certified District employees earn sick leave starting the first day of the school year, as defined for each individual. Support personnel are eligible for paid sick leave benefits after 90 days. Sick leave is accrued at different rates depending on number of contract days worked. Unused sick leave is cumulative up to 185 days. Upon termination, resignation, retirement or death, unused sick leave is reimbursable up to a maximum of 120 days at rates varying from \$5 per day for the first 30 days to \$25 per day for the last 20 days. Vacation days accrue by month only after the completion of the full month. The rate of accrual is based on the number of contract days an employee works. Vacation may be accumulated up to 80 days. Reimbursement for unused vacation is paid at 100% of the employee's current rate of pay.

Budgets and Budgetary Accounting - The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This act requires that within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Funds that includes revenues and expenditures.

Deposits - The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on month-end deposit balances. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of advalorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2010 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because uncollectible amounts are considered insignificant.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 40% of the District's revenue comes from state sources.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the programs for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transfers - During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions that are normal and recurring between funds are recorded as transfers.

Bond Premium - Bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets and Fund Balance - District-Wide Financial Statements – When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used.

Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt - The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service - The component of net assets that reports the amount of funds restricted for payment of principal and interest on debt. This amount is restricted by enabling legislation and debt covenants.

Restricted for Buildings - The component of net assets that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by enabling legislation.

Restricted for School Organizations - The component of net assets that report the assets restricted for use by student organizations and extracurricular activities. This amount is restricted by regulations of the Oklahoma State Department of Education.

Restricted for Child Nutrition - The component of net assets that report the assets restricted for use by Child Nutrition program.

Restricted for Capital Projects - The component of net assets that reports the remaining proceeds from bonds to be used for authorized construction projects and capital asset additions.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

Governmental Fund Financial Statements – The District has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, on July 1, 2010, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventory as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school construction and building maintenance expenditures as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Food service resources are to be used for the District's child nutrition program and are restricted through federal and state regulations. Other purposes are restricted for insurance purposes, scholarship purposes from contributors and federal and state grant carryovers.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities, miscellaneous site grants and Astellas grant carryover as being committed because their use is imposed by the Board of Education regarding use of expenditures.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. The District has assigned funds for student allocation carryovers.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification would also include any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District has not established a formal stabilization arrangement regarding minimum funding requirements. The Board of Education, however, has made it a goal to achieve and maintain a minimum fund balance of 5% in the general fund of the current year total revenue collections as well as a minimum fund balance in the building fund of 35% of the current year total revenue collections.

Norman Independent School District No. 29
Cleveland County, Oklahoma
Notes to Financial Statements
June 30, 2011

As of June 30, 2011, fund balances are comprised of the following:

| | General Fund | Sinking Fund | 2010 Bond Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------|----------------------|--------------------------------|--------------------------------|
| Fund balances: | | | | | |
| Nonspendable | | | | | |
| Inventory | \$ 105,643 | \$ - | \$ - | \$ - | \$ 105,643 |
| Restricted for: | | | | | |
| School construction | - | - | 13,765,546 | 7,214,287 | 20,979,833 |
| Building maintenance | - | - | - | 2,869,579 | 2,869,579 |
| Debt service reserve | - | 18,391,104 | - | - | 18,391,104 |
| Food services | - | - | - | 315,746 | 315,746 |
| Insurance purposes | - | - | - | 497,756 | 497,756 |
| Gifts from donors | - | - | - | 14,454 | 14,454 |
| Federal and state grants carryover | 1,761,232 | - | - | - | 1,761,232 |
| Total restricted | <u>1,761,232</u> | <u>18,391,104</u> | <u>13,765,546</u> | <u>10,911,822</u> | <u>44,829,704</u> |
| Committed to: | | | | | |
| School programs | - | - | - | 1,740,007 | 1,740,007 |
| Miscellaneous site grants and Astellas grant carryover | <u>12,992</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,992</u> |
| Total committed | <u>12,992</u> | <u>-</u> | <u>-</u> | <u>1,740,007</u> | <u>1,752,999</u> |
| Assigned to: | | | | | |
| Student allocation carryover | 50,422 | - | - | - | 50,422 |
| Unassigned: | | | | | |
| Total fund balances | <u>\$ 9,597,223</u> | <u>\$ 18,391,104</u> | <u>\$ 13,765,546</u> | <u>\$ 12,651,829</u> | <u>\$ 54,405,702</u> |

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Note 2 - Cash and Investments

Deposits - At June 30, 2011, the bank balance of deposits and cash pools was \$61,470,669. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The deposit policy for custodial credit risk requires compliance with the provisions of state law. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Interest Rate Risk - The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Note 3 - Long-term Liabilities

The long-term liability balances and activity for the year were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|--|----------------------|----------------------|------------------------|-----------------------|--------------------------------|
| Bonds Payable | \$ 63,370,000 | \$ 6,440,000 | \$ (10,750,000) | \$ 59,060,000 | \$ 17,140,000 |
| Deferred Bond Premium | 642,291 | 6,440 | (190,909) | 457,822 | 197,833 |
| Compensated Absences | 1,353,169 | 821,003 | (486,388) | 1,687,784 | 1,687,784 |
| Judgments | - | 22,500 | (7,500) | 15,000 | 7,500 |
| Lease Revenue Payable | - | 61,900,000 | - | 61,900,000 | 17,570,000 |
| Total governmental activity long-term liabilities | <u>\$ 65,365,460</u> | <u>\$ 69,189,943</u> | <u>\$ (11,434,797)</u> | <u>\$ 123,120,606</u> | <u>\$ 36,603,117</u> |

Bonds payable at June 30, 2011 are composed of the following individual general obligation bond issues:

| Original Issue Amount | Annual Installment | Maturity Date | Interest Rate | Outstanding Amount at June 30, 2011 |
|--------------------------|-----------------------|------------------|---------------|---|
| \$ 20,760,000 | \$ 5,190,000 | 3/1/2013 | 2.875-3.0% | \$ 10,380,000 |
| 22,240,000 | 5,560,000 | 1/1/2014 | 4-5% | 16,680,000 |
| 25,560,000 | 6,390,000 | 3/1/2015 | 2-3% | 25,560,000 |
| 6,440,000 | 1,610,000 | 3/1/2016 | 1-2% | 6,440,000 |
| | | | | <u>\$ 59,060,000</u> |

Payments on bonds are made by the debt service fund with property taxes. Compensated absences are generally liquidated by the general fund.

The annual requirements to amortize all bond debt outstanding as of June 30, 2011 including interest payments are as follows:

| Period Ending June 30 | Principal | Interest | Total Debt Service |
|--------------------------|----------------------|--------------|-----------------------|
| 2012 | \$ 17,140,000 | \$ 1,685,810 | \$ 18,825,810 |
| 2013 | 18,750,000 | 1,116,010 | 19,866,010 |
| 2014 | 13,560,000 | 564,008 | 14,124,008 |
| 2015 | 8,000,000 | 196,098 | 8,196,098 |
| 2016 | 1,610,000 | 28,980 | 1,638,980 |
| | <u>\$ 59,060,000</u> | | <u>\$ 62,650,906</u> |

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2011 is approximately \$79,277,800.

Proceeds of general obligation bond issues are recorded in the Capital Projects Fund and at least 85% of the proceeds are restricted to the use for which they were approved in the bond elections.

Note 4 - Employee Retirement System

Plan Description - The District contributes to the state-administered Oklahoma Teachers' Retirement System ("the System"), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is administered by a board of trustees. PERS provides retirement, disability and death benefits to plan members and beneficiaries. Oklahoma State Statute 70, Article 17 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. The System issues a publicly available report that includes financial statements and required supplementary information for PERS. That report may be obtained by contacting the Oklahoma Teachers' Retirement System.

Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2011. Plan members are required to contribute 7% of their annual covered salary. The District pays full-time employees' contribution as allowed by statute. The District's contributions to PERS (net of retirement credit paid by the State of Oklahoma) for the years ending June 30, 2011, 2010 and 2009 were \$9,138,351, \$9,280,831, and \$8,671,194, respectively, equal to the required contributions for each year. State of Oklahoma contributions to the System on behalf of the District's employees for the year ended June 30, 2011 were \$728,206.

Note 5 - Risk Management

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

Note 6 - Operating Leases

The District has leases with vendors for the use of copier machines and postal equipment at District locations. The copier lease is renewable at the District's option for one year increments through June 30, 2012. The postal equipment lease is renewable at the District's option for one year increments through June 30, 2013. The District also made payments on a portable building at the administration location. The total lease expense paid by the District for the year ended June 30, 2011 on these leases was approximately \$215,000. Total lease expense anticipated for fiscal year 2012 is approximately \$204,000.

Note 7 - Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|----------------------|----------------------|-----------------------|
| Capital Assets not being depreciated: | | | | |
| Land | \$ 2,699,721 | \$ - | \$ - | \$ 2,699,721 |
| Construction in Progress | 16,369,982 | 73,910,787 | 22,297,397 | 67,983,372 |
| Total capital assets not being depreciated | <u>19,069,703</u> | <u>73,910,787</u> | <u>22,297,397</u> | <u>70,683,093</u> |
| Capital Assets being depreciated: | | | | |
| Buildings | 82,045,562 | 10,245,791 | - | 92,291,353 |
| Improvements | 43,891,862 | 12,523,204 | 48,653 | 56,366,413 |
| Furniture and Equipment | 2,323,080 | 19,966 | 25,079 | 2,317,967 |
| Musical Instruments | 1,980,153 | 13,104 | 1,562,962 | 430,295 |
| Computers | 195,478 | 256,296 | 24,155 | 427,619 |
| Vehicles | 7,032,790 | 325,730 | 491,300 | 6,867,220 |
| Total capital assets being depreciated | <u>137,468,925</u> | <u>23,384,091</u> | <u>2,152,149</u> | <u>158,700,867</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 48,256,403 | 1,998,260 | - | 50,254,663 |
| Improvements | 6,592,338 | 2,037,627 | - | 8,629,965 |
| Furniture and Equipment | 1,129,442 | 218,281 | 62,719 | 1,285,004 |
| Musical Instruments | 1,829,027 | 48,074 | 1,502,048 | 375,053 |
| Computers | 689,993 | 177,634 | 20,874 | 846,753 |
| Vehicles | 4,958,894 | 527,820 | 491,300 | 4,995,414 |
| Total accumulated depreciation | <u>63,456,097</u> | <u>5,007,696</u> | <u>2,076,941</u> | <u>66,386,852</u> |
| Total capital assets being depreciated, net | <u>74,012,828</u> | <u>18,376,395</u> | <u>75,208</u> | <u>92,314,015</u> |
| Governmental activity capital assets, net | <u>\$ 93,082,531</u> | <u>\$ 92,287,182</u> | <u>\$ 22,372,605</u> | <u>\$ 162,997,108</u> |

Note 8 - Disaggregation of Payable Balances

| Governmental Activities: | Vendors | Salaries and Benefits | Accrued Interest | Total Payables |
|--|--------------|--------------------------|---------------------|-------------------|
| General | \$ 1,597,117 | \$ 5,816,949 | \$ - | \$ 7,414,066 |
| Reconciliation of balances in fund financials to government-wide statements | - | - | 1,504,298 | 1,504,298 |
| Total governmental activities | \$ 1,597,117 | \$ 5,816,949 | \$ 1,504,298 | \$ 8,918,364 |

Note 9 - Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District's sinking fund over a three-year period pursuant to state law.

The District has outstanding construction commitments of \$23.5 million dollars as of June 30, 2011.

During the year ended June 30, 2011, the District did not reduce insurance coverage from coverage levels in place as of June 30, 2011. No settlements have exceeded coverage levels in place during 2011.

Note 10 - Sublease Agreement

The District entered into a sublease agreement on June 1, 2010 with the Cleveland County Education Facilities Authority (the Authority) in which the Authority advanced \$61,900,000 in educational facilities lease revenue bonds, Series 2010, to the District for the acquisition and construction of buildings, improvements, and furniture and equipment. The District will use future general obligation bonds for repayment of the funds to the Authority.

Norman Independent School District No. 29
Cleveland County, Oklahoma
Notes to Financial Statements
June 30, 2011

The following schedule presents the revenue and payment activity per the agreement:

| Period Ending | Gross General Obligation Bonds Issued | Estimated Fees | Lease Purchase Acquisition Payments | Lease Rent Payments | Principal Payments | Coupon Rate | Interest Payments | Total Payments |
|---------------|---|---------------------|--|------------------------|-----------------------|----------------|----------------------|----------------------|
| 12/1/2010 | \$ - | \$ - | \$ - | \$ 1,500 | \$ - | | \$ 1,194,075 | \$ - |
| 6/1/2011 | 2,505,000 | (50,000) | 2,455,000 | 1,500 | - | | 1,194,075 | 2,388,150 |
| 12/1/2011 | - | - | - | 1,500 | - | | 1,194,075 | - |
| 6/1/2012 | 19,775,000 | (60,000) | 19,715,000 | 1,500 | 17,570,000 | 3.50% | 1,194,075 | 19,958,150 |
| 12/1/2012 | - | - | - | 1,500 | - | | 886,600 | - |
| 6/1/2013 | 21,835,000 | (60,000) | 21,775,000 | 1,500 | 20,360,000 | 3.50% | 886,600 | 22,133,200 |
| 12/1/2013 | - | - | - | 1,500 | - | | 479,400 | - |
| 6/1/2014 | 24,530,000 | (60,000) | 24,470,000 | 1,500 | 23,970,000 | 3.50% | 479,400 | 24,928,800 |
| | <u>\$ 68,645,000</u> | <u>\$ (230,000)</u> | <u>\$ 68,415,000</u> | <u>\$ 12,000</u> | <u>\$ 61,900,000</u> | | <u>\$ 7,508,300</u> | <u>\$ 69,408,300</u> |

The trustee bank holds the cash and makes payments after authorization from the District.

The Authority makes semi-annual rent payments of \$1,500 to the District beginning December 1, 2010. Annual fees, which include trustee fees of \$5,500 paid annually in advance and issuer fees of .10% of bond balance paid annually in arrears, will be a total of \$208,600.

Upon payment of the lease purchase acquisition payments, legal title will go to the District for all construction, acquisition and renovations completed with the revenue lease bonds. The sublease activity has been included on the statement of net assets as capital assets and long-term lease. Capitalized interest relating to construction projects is also included with capital assets. Lease bond revenue projects in process at June 30, 2011 totaled approximately \$63,453,000.



Required Supplementary Information
June 30, 2011

Norman Independent School District No. 29

Norman Independent School District No. 29
Cleveland County, Oklahoma
Budgetary Comparison Schedule – General Fund (Unaudited)
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual Amounts GAAP Basis | Variance with Final Budget Positive (Negative) | |
|--------------------------------------|---------------------|---------------------|---------------------------------|---|---------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Budgetary Fund Balance, July 1 | \$ 4,730,452 | \$ 5,593,424 | \$ 5,593,424 | \$ 862,972 | \$ - |
| Resources (inflows) | | | | | |
| Property Taxes | 25,073,114 | 27,150,000 | 27,105,952 | 2,076,886 | (44,048) |
| Interest | 30,275 | 14,379 | 23,530 | (15,896) | 9,151 |
| County Revenue | 2,870,000 | 2,970,000 | 2,948,383 | 100,000 | (21,617) |
| State Revenue | 46,263,345 | 46,663,128 | 47,430,974 | 399,783 | 767,846 |
| Federal Revenue | 15,731,370 | 15,252,408 | 13,716,163 | (478,962) | (1,536,245) |
| Other | 2,051,962 | 1,808,730 | 1,868,499 | (243,232) | 59,769 |
| Amounts Available for Appropriation | <u>96,750,518</u> | <u>99,452,069</u> | <u>98,686,925</u> | <u>2,701,551</u> | <u>(765,144)</u> |
| Charges to Appropriations (outflows) | | | | | |
| Instruction | 59,310,921 | 58,059,471 | 56,779,875 | 1,251,450 | 1,279,596 |
| Support Services | 31,266,360 | 32,424,994 | 31,820,560 | (1,158,634) | 604,434 |
| Non-instruction Services | 45,305 | 38,279 | 33,184 | 7,026 | 5,095 |
| Capital Outlays | 143,413 | 90,286 | 37,008 | 53,127 | 53,278 |
| Other Outlays | 569,431 | 551,361 | 419,075 | 18,070 | 132,286 |
| Total Charges to Appropriations | <u>91,335,430</u> | <u>91,164,391</u> | <u>89,089,702</u> | <u>171,039</u> | <u>2,074,689</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 5,415,088</u> | <u>\$ 8,287,678</u> | <u>\$ 9,597,223</u> | <u>\$ 2,872,590</u> | <u>\$ 1,309,545</u> |

Budgeting – Oklahoma statutes required that the District Board of Education approve a budget within thirty days of the beginning of each fiscal year. The school district’s budget is to contain a budget summary accompanied by a minimum of the following for each fund in tabular form:

1. Actual revenues and expenditures for the immediate prior fiscal year.
2. Revenues and expenditures for the current fiscal year as shown by the budget as amended.
3. Estimated revenues and expenditures for the budget year.

A public hearing on the proposed budget must be held within forty-five days preceding the beginning of the budgetary year.

The District shall amend the original budget after June 30 of each year after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties with the District.



Other Supplementary Information
June 30, 2011

Norman Independent School District No. 29

Norman Independent School District No. 29
Cleveland County, Oklahoma
Combining Balance Sheet – Other Governmental Funds
June 30, 2011

| | Other Special Revenue Funds | | | | | | Capital Projects | | | | Total Other Governmental Funds | |
|--|-----------------------------|-------------------|------------------|--------------------------|---------------------|------------------------|---------------------|-------------------|---------------------|---------------------|--------------------------------------|----------------------|
| | Building Fund | Child Nutrition | Gifts | Workers' Compensation | Student Activity | Casualty/ Insurance | Total | 2008 Bond Fund | 2009 Bond Fund | 2011 Bond Fund | | Misc Bond Fund |
| Assets | | | | | | | | | | | | |
| Pooled Cash | \$ 3,054,856 | \$ 374,488 | \$ 14,454 | \$ 35,736 | \$ 1,758,562 | \$ 440,518 | \$ 5,678,614 | \$ 780,518 | \$ 2,249,685 | 3,740,401 | \$ 1,017,672 | \$ 13,466,890 |
| Property Taxes Receivable, Net | 342,036 | - | - | - | - | - | 342,036 | - | - | - | - | 342,036 |
| Other Receivables and Prepaids | - | 22,431 | - | 21,502 | - | - | 43,933 | - | - | - | - | 43,933 |
| Total Assets | \$ 3,396,892 | \$ 396,919 | \$ 14,454 | \$ 57,238 | \$ 1,758,562 | \$ 440,518 | \$ 6,064,583 | \$ 780,518 | \$ 2,249,685 | \$ 3,740,401 | \$ 1,017,672 | \$ 13,852,859 |
| Liabilities and Fund Balances | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Accounts Payable | 206,547 | 15,041 | - | - | 18,555 | - | 240,143 | 1,647 | 403,719 | 168,623 | - | 814,132 |
| Deferred Revenue | 320,766 | 66,132 | - | - | - | - | 386,898 | - | - | - | - | 386,898 |
| Total Liabilities | 527,313 | 81,173 | - | - | 18,555 | - | 627,041 | 1,647 | 403,719 | 168,623 | - | 1,201,030 |
| Fund Balances | | | | | | | | | | | | |
| Restricted | 2,869,579 | 315,746 | 14,454 | 57,238 | - | 440,518 | 3,697,535 | 778,871 | 1,845,966 | 3,571,778 | 1,017,672 | 10,911,822 |
| Committed | - | - | - | - | 1,740,007 | - | 1,740,007 | - | - | - | - | 1,740,007 |
| Fund Balances, End of Year | 2,869,579 | 315,746 | 14,454 | 57,238 | 1,740,007 | 440,518 | 5,437,542 | 778,871 | 1,845,966 | 3,571,778 | 1,017,672 | 12,651,829 |
| Total Liabilities and Fund Balances | \$ 3,396,892 | \$ 396,919 | \$ 14,454 | \$ 57,238 | \$ 1,758,562 | \$ 440,518 | \$ 6,064,583 | \$ 780,518 | \$ 2,249,685 | \$ 3,740,401 | \$ 1,017,672 | \$ 13,852,859 |

Norman Independent School District No. 29

Cleveland County, Oklahoma

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds

For the Year Ended June 30, 2011

| | Other Special Revenue Funds | | | | | | Total Special Revenue Funds | Capital Projects | | | | Total Other Governmental Funds |
|---|-----------------------------|-------------------|------------------|-----------------------|---------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|---------------------|--------------------------------|
| | Building Fund | Child Nutrition | Gifts | Workers' Compensation | Student Activity | Casualty/ Insurance | | 2008 Bond Fund | 2009 Bond Fund | 2011 Bond Fund | Misc Bond Fund | |
| Revenues | | | | | | | | | | | | |
| Property Taxes | \$ 3,868,132 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,868,132 | \$ - | \$ - | \$ - | \$ - | \$ 3,868,132 |
| Interest | 7,118 | 2,566 | - | 1,393 | 5,142 | - | 16,219 | (2,229) | 13,751 | 11,265 | 2,922 | 41,928 |
| State Revenue | - | 77,830 | - | - | - | - | 77,830 | - | - | - | - | 77,830 |
| Federal Revenue | - | 2,388,468 | - | - | - | - | 2,388,468 | - | - | - | - | 2,388,468 |
| Other | 139 | 1,902,590 | 24,987 | - | 2,373,924 | 133,318 | 4,434,958 | - | - | - | - | 4,434,958 |
| Total Revenues | 3,875,389 | 4,371,454 | 24,987 | 1,393 | 2,379,066 | 133,318 | 10,785,607 | (2,229) | 13,751 | 11,265 | 2,922 | 10,811,316 |
| Expenditures | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| Instruction | - | - | 4,348 | - | 832,786 | - | 837,134 | 229,608 | 275,855 | 199,530 | - | 1,542,127 |
| Support Services | 2,872,250 | - | 1,105 | - | 866,873 | 19,859 | 3,760,087 | 308,375 | 81,921 | 224,957 | 219,330 | 4,594,670 |
| Non-Instruction Services | - | 4,499,613 | - | - | 573,745 | - | 5,073,358 | 10,391 | - | - | - | 5,083,749 |
| Capital Outlays | 112,448 | - | - | - | 4,452 | 73,154 | 190,054 | 1,258,871 | 6,394,861 | 2,455,000 | - | 10,298,786 |
| Other Outlays | - | - | 9,024 | 11,290 | 15,906 | - | 36,220 | - | - | - | - | 36,220 |
| Total Expenditures | 2,984,698 | 4,499,613 | 14,477 | 11,290 | 2,293,762 | 93,013 | 9,896,853 | 1,807,245 | 6,752,637 | 2,879,487 | 219,330 | 21,555,552 |
| Excess (Deficiency) of Revenues over Expenditures | 890,691 | (128,159) | 10,510 | (9,897) | 85,304 | 40,305 | 888,754 | (1,809,474) | (6,738,886) | (2,868,222) | (216,408) | (10,744,236) |
| Other Financing Sources (Uses) | | | | | | | | | | | | |
| Transfers In | 40,425 | - | - | - | - | - | 40,425 | - | - | - | - | 40,425 |
| Transfers Out | - | - | - | - | (7,813) | - | (7,813) | - | - | - | - | (7,813) |
| Proceeds of Bonds | - | - | - | - | - | - | - | - | - | 6,440,000 | - | 6,440,000 |
| Total Other Financing Sources (Uses) | 40,425 | - | - | - | (7,813) | - | 32,612 | - | - | 6,440,000 | - | 6,472,612 |
| Net Change in Fund Balances | 931,116 | (128,159) | 10,510 | (9,897) | 77,491 | 40,305 | 921,366 | (1,809,474) | (6,738,886) | 3,571,778 | (216,408) | (4,271,624) |
| Beginning Fund Balances | 1,938,463 | 443,905 | 3,944 | 67,135 | 1,662,516 | 400,213 | 4,516,176 | 2,588,345 | 8,584,852 | - | 1,234,080 | 16,923,453 |
| Ending Fund Balances | \$ 2,869,579 | \$ 315,746 | \$ 14,454 | \$ 57,238 | \$ 1,740,007 | \$ 440,518 | \$ 5,437,542 | \$ 778,871 | \$ 1,845,966 | \$ 3,571,778 | \$ 1,017,672 | \$ 12,651,829 |

Norman Independent School District No. 29
 Cleveland County, Oklahoma
 Budgetary Comparison Schedule – Building Fund (Unaudited)
 For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual Amounts GAAP | Variance with Final Budget Positive (Negative) | |
|--------------------------------------|--------------------------|----------------------------|----------------------------|---|--------------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Budgetary Fund Balance, July 1 | \$ 1,296,338 | \$ 1,938,463 | \$ 1,938,463 | \$ 642,125 | \$ - |
| Resources (inflows) | | | | | |
| Property Taxes | 3,874,800 | 3,960,742 | 3,868,132 | 85,942 | (92,610) |
| Interest | 8,000 | 5,000 | 7,118 | (3,000) | 2,118 |
| Other | 40,000 | 30,000 | 40,564 | (10,000) | 10,564 |
| Amounts Available for Appropriation | <u>5,219,138</u> | <u>5,934,205</u> | <u>5,854,277</u> | <u>715,067</u> | <u>(79,928)</u> |
| Charges to Appropriations (outflows) | | | | | |
| Support Services | 4,371,868 | 3,677,382 | 2,872,250 | 694,486 | 805,132 |
| Capital Outlays | 50,000 | 112,000 | 112,448 | (62,000) | (448) |
| Total Charges to Appropriations | <u>4,421,868</u> | <u>3,789,382</u> | <u>2,984,698</u> | <u>632,486</u> | <u>804,684</u> |
| Budgetary Fund Balance, June 30 | <u><u>\$ 797,270</u></u> | <u><u>\$ 2,144,823</u></u> | <u><u>\$ 2,869,579</u></u> | <u><u>\$ 1,347,553</u></u> | <u><u>\$ 724,756</u></u> |

Norman Independent School District No. 29
 Cleveland County, Oklahoma
 Budgetary Comparison Schedule – Child Nutrition (Unaudited)
 For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | Actual Amounts GAAP Basis | <u>Variance with Final Budget Positive (Negative)</u> | |
|--------------------------------------|-------------------------|-------------------|---------------------------------|---|----------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Original to Final</u> | <u>Final to Actual</u> |
| Budgetary Fund Balance, July 1 | \$ 454,484 | \$ 443,905 | \$ 443,905 | \$ (10,579) | \$ - |
| Resources (inflows) | | | | | |
| Interest | 4,000 | 1,100 | 2,566 | (2,900) | 1,466 |
| Local Revenue | 2,363,000 | 2,089,899 | 1,902,590 | (273,101) | (187,309) |
| State Revenue | 74,416 | 77,830 | 77,830 | 3,414 | - |
| Federal Revenue | 2,419,064 | 2,431,000 | 2,388,468 | 11,936 | (42,532) |
| Amounts Available for Appropriation | <u>5,314,964</u> | <u>5,043,734</u> | <u>4,815,359</u> | <u>(271,230)</u> | <u>(228,375)</u> |
| Charges to Appropriations (outflows) | | | | | |
| Non-instruction services | <u>4,910,764</u> | <u>4,680,549</u> | <u>4,499,613</u> | <u>230,215</u> | <u>180,936</u> |
| Total Charges to Appropriations | <u>4,910,764</u> | <u>4,680,549</u> | <u>4,499,613</u> | <u>230,215</u> | <u>180,936</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 404,200</u> | <u>\$ 363,185</u> | <u>\$ 315,746</u> | <u>\$ (41,015)</u> | <u>\$ (47,439)</u> |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Combining Statement of Changes in Assets and Liabilities – All Activity Funds
For the Year Ended June 30, 2011

| Assets | Beginning Balance As of July 1, 2010 | Total Adjustments | Total Receipts | Total Disbursements | Ending Balance As of June 30, 2011 |
|---------------------------|---|----------------------|-------------------|------------------------|---|
| Football | \$ (31,186) | \$ 38,237 | \$ 62,414 | \$ (88,538) | \$ (19,073) |
| Boys Basketball | (6,822) | 9,436 | 17,645 | (22,469) | (2,210) |
| Girls Basketball | 1,127 | 8,053 | 7,867 | (14,093) | 2,954 |
| Boys Swimming | - | 210 | 20 | (210) | 20 |
| Baseball | 1,555 | 12,110 | 4,721 | (16,450) | 1,936 |
| FastPitch Softball | 2,954 | 3,460 | 9,298 | (14,885) | 827 |
| Wrestling | 2,891 | 9,076 | 6,996 | (13,521) | 5,442 |
| Boys Tennis | - | 2,227 | - | (2,153) | 74 |
| Girls Tennis | 2,000 | 1,814 | - | (1,748) | 2,066 |
| Slowpitch Softball | 774 | 5,579 | 12,028 | (17,246) | 1,135 |
| Girls Cross Country | 699 | (133) | 4,430 | (4,409) | 587 |
| Boys Golf | 3,630 | 2,895 | 6,804 | (13,928) | (599) |
| Boys Cross Country | 528 | 4,093 | - | (4,621) | - |
| Boys Soccer | 916 | 7,256 | 2,895 | (9,838) | 1,229 |
| Volleyball | 4,281 | 8,018 | 15,082 | (22,620) | 4,761 |
| Boys Track | 2,982 | 2,853 | 11,781 | (13,602) | 4,014 |
| Girls Track | 155 | 2,183 | 308 | (2,748) | (102) |
| General Athletics | 173,192 | (96,287) | 212,410 | (125,529) | 163,786 |
| ASCE | 1,225 | - | 6,144 | (8,676) | (1,307) |
| Girls Golf | 118 | 2,670 | 175 | (6,995) | (4,032) |
| Girls Soccer | 744 | 8,608 | 3,900 | (12,650) | 602 |
| Girls Swimming | 116 | 20 | - | (133) | 3 |
| AP Tests | 20,398 | 425 | 81,207 | (75,499) | 26,531 |
| Art | 31,953 | 13,693 | 11,846 | (14,665) | 42,827 |
| Art in Education | 3,678 | - | - | (300) | 3,378 |
| Coke | 572,363 | (87,091) | 165,711 | (53,138) | 597,845 |
| Band | 1,709 | (2,788) | 47,827 | (36,774) | 9,974 |
| Asian Culture/Botball | 362 | - | 1,789 | (400) | 1,751 |
| Ice Cream Machine | (8,311) | 6,450 | 8,779 | (23,750) | (16,832) |
| Save Darfur Club | 22 | - | - | - | 22 |
| Consumer Education | 28 | - | - | - | 28 |
| Cheerleaders | 32,074 | 1,200 | 35,737 | (22,711) | 46,300 |
| Business | - | - | - | - | - |
| Link Crew-North | - | 2,000 | - | (1,240) | 760 |
| Class of 2013 | 112 | - | 1,709 | (1,190) | 631 |
| Family Living | - | - | - | - | - |
| Academic Banquet | 1,079 | - | - | (681) | 398 |
| Ag Ed (FFA) | 8,666 | (1,627) | 30,816 | (22,840) | 15,015 |
| Camp Turning Point | 4,820 | - | 4,140 | (3,226) | 5,734 |
| Clearing Account | 115 | - | 12,443 | (12,190) | 368 |
| Book Club | 58 | - | 1,156 | (1,141) | 73 |
| Book Fair | 5,037 | - | 20,628 | (17,831) | 7,834 |
| Drama Club | 9,795 | (604) | 4,067 | (2,604) | 10,654 |
| Drafting | 200 | (200) | - | - | - |
| Drug Free/Chemical Depend | 447 | - | - | (13) | 434 |
| Black Stud Assoc/Stomp | 774 | - | 21 | (113) | 682 |
| Pack Shack/Link Crew | 93,915 | - | 84,734 | (65,702) | 112,947 |
| We the People | - | (687) | 1,610 | (834) | 89 |
| English | 493 | - | - | - | 493 |
| Environmental Club | 505 | - | 56 | - | 561 |
| E.M.H. | 299 | - | - | (30) | 269 |
| Equip/Repair/Furn | 2,044 | - | - | (159) | 1,885 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Combining Statement of Changes in Assets and Liabilities – All Activity Funds
For the Year Ended June 30, 2011

| Assets | Beginning Balance As of July 1, 2010 | Total Adjustments | Total Receipts | Total Disbursements | Ending Balance As of June 30, 2011 |
|------------------------|---|----------------------|-------------------|------------------------|---|
| Explo | 1,003 | - | - | (37) | 966 |
| Enrichment | 627 | - | 80 | (211) | 496 |
| Faculty Services | 6,814 | (395) | - | (5,456) | 963 |
| African Amer Assoc | 31 | - | - | - | 31 |
| Field Trips | 4,824 | 2,789 | 69,793 | (72,608) | 4,798 |
| Parking Decals | 3,585 | (1,100) | 4,334 | (854) | 5,965 |
| G.E.M.S. | 1,074 | 205 | 4,888 | (5,662) | 505 |
| Foreign Language-All | 831 | - | 1,469 | (1,067) | 1,233 |
| French | 1,264 | (337) | 1,547 | (1,072) | 1,402 |
| General | 190,040 | 5,747 | 319,971 | (345,757) | 170,001 |
| Ecology Club | 217 | - | - | - | 217 |
| Gifted and Talented | 9,670 | - | 16,510 | (15,160) | 11,020 |
| Latino Leadership | 155 | - | - | - | 155 |
| Class of 2014 | 867 | (867) | 852 | - | 852 |
| Kort Nicholson Benefit | (253) | - | - | - | (253) |
| 5th Grade | 454 | - | 11,583 | (11,906) | 131 |
| Class of 2012 | 112 | - | 404 | (467) | 49 |
| 6th Grade | 715 | - | 9,377 | (7,403) | 2,689 |
| 7th Grade | (1,442) | - | 13,145 | (13,085) | (1,382) |
| 8th Grade | (2,320) | 2,826 | 12,908 | (12,310) | 1,104 |
| Grants | (10,291) | 15,507 | 6,661 | (23,592) | (11,715) |
| Home Ec/Krispy Kreme | 434 | 600 | 2,856 | (3,099) | 791 |
| Class of 2011 | 1,638 | 667 | 3,458 | (3,403) | 2,360 |
| Honor Society | 11,299 | - | 3,556 | (3,505) | 11,350 |
| DECA | 14,681 | (73) | 46,291 | (51,935) | 8,964 |
| 9th Girls Basketball | - | - | - | - | - |
| Instrumental Music | 409 | 2,968 | 60,127 | (54,648) | 8,856 |
| Indigent Student Fund | 1,172 | - | - | - | 1,172 |
| Athletic Trainer | 3,060 | - | 4,770 | (4,891) | 2,939 |
| Independent Living | 500 | - | - | - | 500 |
| Drill Team | 745 | - | 1,037 | (1,105) | 677 |
| Liftathon | 1,748 | (1,255) | 350 | (843) | - |
| Spud-North | 6,013 | 889 | 139,720 | (127,729) | 18,893 |
| Honor Choir | - | - | - | - | - |
| Leadership Council | 17,810 | - | 25,973 | (21,100) | 22,683 |
| Latin | 1,231 | - | 3,447 | (3,310) | 1,368 |
| Cultural Diversity | 2,139 | (2,044) | 123 | (71) | 147 |
| Library/Media Center | 41,626 | 2,209 | 110,052 | (114,229) | 39,658 |
| Spirit Club | - | - | - | - | - |
| Computers | 16 | 40 | - | (55) | 1 |
| FCCLA | 1,100 | - | 570 | (823) | 847 |
| Natl Art Honor Society | (735) | - | - | - | (735) |
| Modern Dance Club | 4,442 | (340) | 12,063 | (11,737) | 4,428 |
| Misc Transaction | 4,409 | (3,000) | - | - | 1,409 |
| Model United Nations | 293 | - | 1,370 | (800) | 863 |
| Mu Alpha Theta | 2,197 | (234) | 1,751 | (2,540) | 1,174 |
| Music/Drumline | 33,019 | (780) | 51,580 | (55,862) | 27,957 |
| Clusters/GT | 27 | - | - | - | 27 |
| Newspaper/Journalism | 10,470 | 1,599 | 7,525 | (14,475) | 5,119 |
| NPS Foundation | (10,692) | 9,305 | 352 | (18,370) | (19,405) |
| Parenting | 78 | - | - | - | 78 |
| Orchestra | 21,408 | (631) | 19,381 | (17,072) | 23,086 |
| NBR Donation | 584 | - | - | - | 584 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Combining Statement of Changes in Assets and Liabilities – All Activity Funds
For the Year Ended June 30, 2011

| Assets | Beginning Balance As of July 1, 2010 | Total Adjustments | Total Receipts | Total Disbursements | Ending Balance As of June 30, 2011 |
|----------------------------|---|----------------------|-------------------|------------------------|---|
| Office | 1,406 | - | - | - | 1,406 |
| Memorial Fund | 981 | - | - | - | 981 |
| Poms | 3,655 | 399 | 7,216 | (7,133) | 4,137 |
| Physical Education | 1,727 | - | 2,207 | (1,672) | 2,262 |
| Prof Leave/Development | 835 | (3,317) | 382 | (2,747) | (4,847) |
| Partners-In-Ed | 1,070 | (1,070) | 20 | - | 20 |
| PTA-Student | 8,990 | 4,508 | 22,957 | (32,100) | 4,355 |
| Norman Invitational Tourn | - | 2,772 | 2,215 | (4,988) | (1) |
| Warriors for Peace | 8 | - | - | - | 8 |
| Native American Club | 3,878 | (300) | 960 | (696) | 3,842 |
| Advanced Leadership II | 2 | - | - | - | 2 |
| Donations | 20,204 | - | 7,994 | (2,881) | 25,317 |
| 9th NIT | - | 614 | 1,694 | (2,308) | - |
| Tutoring | (360) | - | - | (247) | (607) |
| Outdoor Classroom | 5,088 | - | - | - | 5,088 |
| Int Stud Assc/Sooner Show | - | - | - | - | - |
| Global Awareness | 927 | - | 725 | (1,344) | 308 |
| Service Learning | 680 | - | 1,787 | (932) | 1,535 |
| Renaissance Program | 801 | - | - | - | 801 |
| Principal | 1,937 | - | 322 | (161) | 2,098 |
| PSAT/Guidance Serv | 25,351 | (2,000) | 5,655 | (3,601) | 25,405 |
| Prom | 10,412 | 17 | 28,942 | (25,115) | 14,256 |
| Psychology | 275 | - | - | - | 275 |
| Spanish Nat Honor Society | 214 | - | 403 | (278) | 339 |
| Model Congress | 126 | (500) | 642 | - | 268 |
| School Climate | 846 | - | 9,356 | (11,652) | (1,450) |
| Recycling | 233 | - | 126 | - | 359 |
| Apush | - | - | - | - | - |
| Writer's Guild | 271 | (260) | - | - | 11 |
| Resource Center Material | 4,756 | - | 8,125 | (9,518) | 3,363 |
| Fundraiser | 19,244 | 1,063 | 40,570 | (34,054) | 26,823 |
| Orange Thumb | 1,065 | - | 200 | (406) | 859 |
| Sat School/Student Int | (17,229) | 2,000 | - | (4,168) | (19,397) |
| SADD | 269 | - | 120 | - | 389 |
| Science | 204 | - | 500 | (235) | 469 |
| Student Council State Conv | - | (80) | 80 | - | - |
| Social Studies | - | (1,300) | 1,452 | - | 152 |
| TAPP | 177 | - | - | - | 177 |
| Spanish | 1,132 | (284) | 1,691 | (2,036) | 503 |
| Speech | 14,352 | 559 | 21,525 | (19,302) | 17,134 |
| Special Ed/Spec Athletes | 5,782 | - | 879 | (2,444) | 4,217 |
| Math Donation-Longfellow | 782 | (782) | - | - | - |
| Fine Arts | 11,520 | - | 7,068 | (800) | 17,788 |
| Student Council/Congress | 23,709 | 2,325 | 44,350 | (53,755) | 16,629 |
| Store-School | 36 | (32) | - | - | 4 |
| Tyler Flint Memorial | (355) | - | - | - | (355) |
| Special Education | 855 | - | - | - | 855 |
| Musicals | - | - | 1,264 | (959) | 305 |
| Rotary Inter-ACT | 823 | - | 80 | - | 903 |
| Key Club | 336 | - | 736 | (712) | 360 |
| 6th Grade Books | - | - | 975 | (476) | 499 |
| Theater Art | 3,072 | - | 2,466 | (3,498) | 2,040 |
| Tech Ed | - | - | - | - | - |
| Teacher's Sunshine | 793 | - | - | - | 793 |
| Technology | 21,849 | - | 737 | (4,588) | 17,998 |
| Vocal Music | 11,607 | 530 | 124,451 | (126,724) | 9,864 |
| Teen Volun/Parent Outreach | 2,986 | - | 3,121 | (3,402) | 2,705 |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Combining Statement of Changes in Assets and Liabilities – All Activity Funds
For the Year Ended June 30, 2011

| Assets | Beginning Balance As of July 1, 2010 | Total Adjustments | Total Receipts | Total Disbursements | Ending Balance As of June 30, 2011 |
|---------------------------|---|----------------------|---------------------|------------------------|---|
| VRC-Video Resource Center | 2,877 | - | 1,670 | (6,489) | (1,942) |
| PR Fund | (1,035) | - | - | (366) | (1,401) |
| WIN/SAP | - | - | - | - | - |
| Yearbook | 80,603 | (1,750) | 127,174 | (112,685) | 93,342 |
| Vegetarian Club | 106 | - | - | - | 106 |
| Elem Fine Arts | - | - | 615 | - | 615 |
| Wildcat Memories | (130) | - | 100 | - | (30) |
| Stand for Silence | - | - | 1,098 | (860) | 238 |
| Carolyn Ahern Scholarship | 1 | (1) | - | (68) | (68) |
| Interior Design | 100 | - | - | - | 100 |
| Fashion Design | - | - | - | - | - |
| Physics | 122 | - | - | - | 122 |
| Young Democrats | 857 | - | 73 | - | 930 |
| Botball | 4,017 | (205) | 7,925 | (2,588) | 9,149 |
| First Grade | 52 | - | - | - | 52 |
| Student Assistance Fund | (7,862) | - | 24 | (95) | (7,933) |
| Sewing | 415 | (350) | 3,746 | (3,753) | 58 |
| Administration | 46,564 | - | - | - | 46,564 |
| ROAR | 843 | - | - | - | 843 |
| Sociology | 131 | - | 150 | (76) | 205 |
| 2nd Grade | 204 | - | - | - | 204 |
| WOW | 11,372 | - | 10,255 | (4,841) | 16,786 |
| Anthology | 802 | - | 1,937 | (1,529) | 1,210 |
| Academic Teams | 1,048 | - | 800 | (692) | 1,156 |
| Republican Club | 303 | - | 2 | - | 305 |
| Third Grade | 192 | - | 436 | (259) | 369 |
| Total assets | <u>\$ 1,662,516</u> | <u>\$ -</u> | <u>\$ 2,379,066</u> | <u>\$ (2,301,575)</u> | <u>\$ 1,740,007</u> |
| | | | | | |
| Liabilities | | | | | |
| Due to Student Groups | <u>1,662,516</u> | <u>-</u> | <u>2,379,066</u> | <u>(2,301,575)</u> | <u>1,740,007</u> |
| Total liabilities | <u>\$ 1,662,516</u> | <u>\$ -</u> | <u>\$ 2,379,066</u> | <u>\$ (2,301,575)</u> | <u>\$ 1,740,007</u> |

Note 1 - Basis of Presentation

The above schedule and format is required by the Oklahoma State Department of Education and is not intended to represent a financial statement in accordance with generally accepted accounting principles.

Norman Independent School District No. 29
 Cleveland County, Oklahoma
 Statement of Statutory, Fidelity, and Honesty Bonds (Unaudited)
 For the Year Ended June 30, 2011

| NAME | TYPE | COMPANY | BOND # | AMOUNT | BEG DATE | END DATE |
|-----------------------|-------------------------|---------------------------------------|---------------|---------------|-----------------|-----------------|
| Dr. Joseph Siano | Public Official Bond | Travelers Casualty and Surety Company | 105321891 | \$100,000 | 7/01/10 | 7/1/11 |
| Brenda R. Burkett | Public Official Bond | Travelers Casualty and Surety Company | 105306354 | \$100,000 | 9/16/10 | 9/16/11 |
| Janine Anne Warren | Public Official Bond | Hartford Fire Insurance Company | 38BSBCJ1584 | \$100,000 | 11/16/04 | Until cancelled |
| Norman Public Schools | Commercial Crime Policy | St Paul Travelers | 104343265 | \$100,000 | 7/1/04 | Until cancelled |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Project Number | Deferred Revenue (Accounts Receivable) June 30, 2010 | Federal Grant Receipts | Federal Grant Expenditures | Deferred Revenue (Accounts Receivable) June 30, 2011 |
|---|------------------------|--|--|---------------------------|-------------------------------|--|
| U.S. Department of Education | | | | | | |
| Direct Programs | | | | | | |
| Indian Education, Grants to Local Educational Agencies | 84.060 | 561 | \$ (47,413) | \$ 239,519 | \$ 280,841 | \$ (88,735) |
| Passed Through Oklahoma Department of Career and Technology Education | | | | | | |
| Vocational Education - Basic Grant to States | 84.048 | 421, 424, 426 | (53,405) | 108,634 | 110,902 | (55,673) |
| Passed Through Oklahoma State Department of Education | | | | | | |
| Title I, Improving Basic Programs | 84.010 | 511 | (658,215) | 1,463,854 | 1,548,381 | (742,742) |
| Title I, Part A Neglected | 84.010 | 518 | (14,031) | 36,249 | 43,559 | (21,341) |
| Title I Neglected/Delinquent | 84.013 | 532 | (61,829) | 123,764 | 140,125 | (78,190) |
| ARRA, Title I, Improving Basic Programs | 84.389 | 516 | (141,078) | 563,675 | 645,677 | (223,080) |
| ARRA, Title I, Local Delinquent | 84.389 | 533 | (45,766) | 87,693 | 46,508 | (4,581) |
| ARRA, Title I, Neglected | 84.389 | 534 | (16,440) | 34,628 | 30,683 | (12,495) |
| Title I Cluster | | | <u>(937,359)</u> | <u>2,309,863</u> | <u>2,454,933</u> | <u>(1,082,429)</u> |
| Special Education - Grants to States | 84.027 | 613, 615, 621 | (742,355) | 2,493,758 | 2,639,572 | (888,169) |
| ARRA, Special Education - Grants to States | 84.391 | 622 | (791,949) | 1,528,413 | 1,090,680 | (354,216) |
| Special Education - Preschool Grants | 84.173 | 641, 642 | (26,340) | 70,136 | 70,956 | (27,160) |
| ARRA, Special Education - Preschool Grants | 84.392 | 643 | (16,788) | 19,504 | 4,011 | (1,295) |
| State Personnel Development Grant | 84.323 | 651 | (1,125) | 1,125 | - | - |
| Special Education Cluster | | | <u>(1,578,557)</u> | <u>4,112,936</u> | <u>3,805,219</u> | <u>(1,270,840)</u> |
| ARRA, WIA Adult Program | 17.258 | 692 | - | 5,965 | 5,965 | - |
| Title II, Part A Teacher and Principal Training and Recruiting Fund | 84.367 | 541 | (228,101) | 560,872 | 513,652 | (180,881) |
| Title II, Part A, Technical Assistance Allocation | 84.366 | 543 | (5,178) | 25,550 | 27,167 | (6,795) |
| Title II, Part D, Enhancing Education Through Technology | | | | | | |
| ARRA, Educational Technology | 84.386 | 549 | (247,098) | 857,543 | 693,124 | (82,679) |
| Title II, Part D, Enhancing Education Through Technology | 84.318X | 546 | (3,983) | 7,882 | 4,406 | (507) |
| Title II, Part D, Enhancing Education Through Technology, Twenty-Five Percent Technology for Professional Development | 84.318X | 548 | (1,950) | 3,006 | 1,469 | (413) |
| Total Title II, Part D Cluster | | | <u>(253,031)</u> | <u>868,431</u> | <u>698,999</u> | <u>(83,599)</u> |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Project Number | Deferred Revenue (Accounts Receivable) June 30, 2010 | Federal Grant Receipts | Federal Grant Expenditures | Deferred Revenue (Accounts Receivable) June 30, 2011 |
|---|------------------------|--|--|---------------------------|-------------------------------|--|
| Safe and Drug Free Schools - State Grants | 84.186 | 551 | (31,868) | 31,868 | - | - |
| Title III Part A English Language Acquisition | 84.365 | 571, 572 | (28,926) | 66,288 | 103,361 | (65,999) |
| Title X, Part C, Education for Homeless Children and Youth | 84.196 | 596 | (17,508) | 21,263 | 3,755 | - |
| Rehabilitation Services- Vocational Rehabilitation Grants to States | 84.126 | 456 | - | 20,573 | 20,573 | - |
| Adult Basic Education | 84.002 | 731 | (43,733) | 84,651 | 78,716 | (37,798) |
| English Literacy/Civics | 84.002 | 732 | - | - | 804 | (804) |
| Total Adult Basic Education and English Literacy | | | (43,733) | 84,651 | 79,520 | (38,602) |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 735 | (19,515) | 55,539 | 61,028 | (25,004) |
| State Fiscal Stabilization Fund- Education Grant States- ARRA | 84.394 | 782 | (869,272) | 3,884,255 | 3,014,983 | - |
| ARRA, State Fiscal Stabilization Fund, Textbooks | 84.397 | 787 | 499,583 | - | 499,583 | - |
| State Fiscal Stabilization Fund Cluster | | | (369,689) | 3,884,255 | 3,514,566 | - |
| Education Jobs Fund | 84.410 | 790 | - | 1,973,915 | 2,525,954 | (552,039) |
| Total U.S. Department of Education | | | \$ (3,614,283) | \$ 14,370,122 | \$ 14,206,435 | \$ (3,450,596) |

Norman Independent School District No. 29
Cleveland County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Project Number | Deferred Revenue (Accounts Receivable) June 30, 2010 | Federal Grant Receipts | Federal Grant Expenditures | Deferred Revenue (Accounts Receivable) June 30, 2011 |
|--|------------------------|--|--|---------------------------|-------------------------------|--|
| U.S. Department of Homeland Security Disaster Grant: Public Assistance | 97.036 | 594 | \$ (12,020) | \$ 12,020 | \$ - | \$ - |
| U.S. Department of the Interior Passed through the Oklahoma State Department of Education Indian Education - Assistance to Schools Johnson O'Malley Program | 15.130 | 563/564 | (11,840) | 21,177 | 9,337 | - |
| U.S. Department of Agriculture Passed through the Oklahoma State Department of Education Cash Assistance: | | | | | | |
| Breakfast Program | 10.553 | | - | 1,893,148 | 1,893,148 | - |
| Lunch Program | 10.555 | | - | 464,586 | 464,586 | - |
| Lunch Program- Commodities | 10.555 | | 20,930 | 315,375 | 324,645 | 11,660 |
| Summer Food Service- Commodities | 10.559 | | 340 | 5,120 | 5,270 | 190 |
| Child Nutrition Cluster | | | 21,270 | 2,678,229 | 2,687,649 | 11,850 |
| Total | | | \$ (3,616,873) | \$ 17,081,548 | \$ 16,903,421 | \$ (3,438,746) |

Note 1 - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Norman Independent School District No. 29, Cleveland County, Oklahoma. The schedule is prepared using a cash receipts and disbursements basis. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

Note 2 - The amounts relating to fiscal year 2010 project 787 ARRA Textbooks have been presented in the current year schedule of federal awards per the instruction of the Oklahoma State Department of Education. The beginning deferred revenue amount for this project will differ from the schedule of federal awards presented as of June 30, 2010 by \$499,583 and the current year federal expenditures has also been increased by this amount to fully recognize these expenditures by the end of fiscal year 2011.



**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***

To the Board of Education
Norman Independent School District No. 29
Norman, Oklahoma

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman Independent School District No. 29 (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-1, 11-2, and 11-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education, management, others within the District, Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
December 14, 2011



**Independent Auditor's Report on Compliance with Requirements
That Could have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

To the Board of Education
Norman Independent School District No. 29
Norman, Oklahoma:

Compliance

We have audited Norman Independent School District No. 29's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. Norman Independent School District No. 29's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Norman Independent School District No. 29's management. Our responsibility is to express an opinion on Norman Independent School District No. 29's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norman Independent School District No. 29's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Norman Independent School District No. 29's compliance with those requirements.

In our opinion, Norman Independent School District No. 29, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-4 and 11-5.

Internal Control Over Compliance

Management of Norman Independent School District No. 29 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control of compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-4 and 11-5 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-6 to be a significant deficiency.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, the board of education, others within the entity, the Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Oklahoma City, Oklahoma
December 14, 2011

Norman Independent School District No. 29
 Cleveland County, Oklahoma
 Schedule of Findings and Questioned Costs
 June 30, 2011

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weakness identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements noted | No |

Federal Awards

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weakness identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Type of auditor's report issued on compliance for major programs | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | Yes |

Name of Federal Program or Cluster

CFDA number

| | |
|---|--|
| Title I Cluster | 84.010, 84.389, 84.013 |
| Title II, Part D, Education Technology State Grants Cluster | 84.318, 84.386 |
| Special Education Cluster | 84.027, 84.173, 84.391, 84.392, 84.323 |
| Child Nutrition Cluster | 10.553, 10.555, 10.559 |
| State Fiscal Stabilization Fund Cluster | 84.394, 84.397 |
| Education Jobs Funds | 84.410 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$ 508,025 |
| Auditee qualified as low-risk auditee | No |

Section II - Findings Relating to the Financial Statements

- 11-1 Condition: District does not have procedures in place for the preparation of the government wide financial statements, disclosures, major fund determination, as well as necessary full accrual adjustments required by generally accepted accounting principles.
- Criteria: Controls should be in place over the preparation of government wide financial statements and required adjustments, including footnote disclosures, in accordance with generally accepted accounting principles.
- Cause: The District did not prepare the government wide financial statements and necessary adjustments and major fund determination.
- Context: The District did prepare the fund level financial statements and supplemental schedules. However, the District did not prepare the government wide financial statements, related adjustments, disclosures and major fund determinations.
- Effect: District is at risk for material misstatements and incomplete disclosures.
- Recommendation: The Board should evaluate and weigh the costs against the benefits of preparing their own complete financial statements.
- Response: The purchase of a new financial software system that will assist with the preparation of the government wide financial statements has occurred, but the conversion process is still in place. Administration will prepare the required financial statements after the conversion to the new software is complete.
-
- 11-2 Condition: The District's internal control system did not identify amounts to be recorded for accounts payable that related to construction expenditures.
- Criteria: Controls over the year-end financial reporting process should be in place. Accounts payable should be recorded based on service dates for construction in all funds.
- Cause: Accounts payable for construction related expenditures was not recorded by the District based on service dates.
- Context: District's accounts payable at year-end did not include all fiscal year activity.
- Effect: Material audit adjustments were made due to understatement of accounts payable at year end.
- Recommendation: We recommend a control process be put in place to properly capture year end accounts payable amounts based on actual service dates.
- Response: Administration is aware of the need to capture year end amounts based on actual service dates. A contractor's late submission of an invoice was the cause for the proper accrual concern. To prevent this from occurring in the future, a new control will be in place at year end which will require all invoices be submitted to the Business Office within one month of actual service dates.
-
- 11-3 Condition: The District's internal control system did not identify accurate additions and disposals for current year activity relating to capital assets. In addition, capital assets from all District funds were not included on management schedules.
- Criteria: District property schedules and supporting reports should reflect current year activity from all District funds.
- Cause: District schedules were not reconciled to beginning of the year amounts and did not reconcile to supporting reports for current year activity. Certain funds that included construction projects were excluded from management schedules.

Context: District's capital assets summary provided during the audit for year-end did not agree to supporting reports and include accurate current year amounts.
Effect: Risk that errors or misstatements will not be identified and District capital assets will not be reported accurately.
Recommendation: We recommend a control process be put in place to reconcile property reports and include all activity from all District funds.
Response: The District will implement a control process to reconcile property reports and include all activity from all District funds.

Section III - Findings and Questioned Costs for Federal Awards

11-4 Variances in Reporting

U.S Department of Agriculture passed through the Oklahoma State Department of Education
Child Nutrition Cluster CFDA# 10.553, 10.555, 10.559

Condition: Daily site meal count reports did not agree to Child Nutrition administrative reports used to complete the monthly claims submitted to the State Department of Education for reimbursement.
Criteria: Meal count reports from school sites should reconcile to the administrative reports used to claim funds from the State Department of Education.
Cause: Supporting documentation for the Child Nutrition administrative report totals did not agree with each other.
Context: Two of the three months reviewed during testing did not agree to the Child Nutrition administrative reports.
Effect: Risk of District being out of compliance with program requirements and claim incorrect meal counts. Monthly claims reviewed during the audit that were submitted to the State Department were less than the site reports, which resulted in a possible understatement of meals claimed for reimbursement.
Recommendation: We recommend a control process be implemented to keep supporting records for monthly claim reports as well as reconciling site totals to administrative reports submitted to the State Department of Education.
Response: Management will ensure that Child Nutrition administrative reports are maintained to support records for monthly claim reports.

11-5 Eligibility Determination

U.S Department of Agriculture passed through the Oklahoma State Department of Education
Child Nutrition Cluster CFDA# 10.553, 10.555, 10.559

Condition: A student application could not be provided by Child Nutrition to support eligibility determinations and an income amount was input incorrectly for another student application.
Criteria: Applications should be maintained to support eligibility determinations by Child Nutrition and should be reviewed to ensure the data is input into the system correctly.

Cause: One student applications could not be located and another application had the incorrect income amount input into the system.

Context: Of the students tested during the audit, 1% of the applications could not be located and 1% included the incorrect eligibility determination.

Questioned Costs: The potential overclaimed amount is approximately \$54,600.

Effect: Ineligible students could be receiving federal benefits.

Recommendation: Control procedures should be implemented to maintain student applications to support eligibility determinations.

Response: The District will implement procedures to ensure that all student applications are maintained to support eligibility determinations.

11-6 Lack of Suspension/Debarment Control

U.S Department of Education passed through the Oklahoma State Department of Education Title II, Part D Enhancing Technology State Grants Cluster CFDA# 84.318, 84.386 (FY11 Pass Through Grantor #546, 548, 549)
Title I Cluster CFDA# 84.010, 84.389 (FY11 Pass Through Grantor #511, 516, 518, 532, 533, 534)
Special Education Cluster CFDA# 84.027, 84.173, 84.391, 84.392, 84.323 (FY11 Pass Through Grantor # 613, 615, 621, 622, 623, 625, 641, 642, 643, 651)

Condition: The District did not have controls in place to verify vendors paid with Title II Part D, Title I, and Special Education federal funds were not suspended or debarred per the *Excluded Parties List System*.

Criteria: As defined by OMB Circular A-110, 2 CFR part 180, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Cause: District was not aware that this requirement was in place for federal programs regarding recovery act funds. Applicable covered transactions included in the audit samples were determined not to be suspended or debarred per the federal website.

Effect: District is out of compliance with the OMB Circular A-110.

Recommendation: Controls should be implemented to ensure that vendors paid with federal funds are not on the federal government's excluded parties list as being suspended or debarred.

Response: Before any covered federal transactions occur, the District will verify that vendors paid with federal funds are not on the federal government's excluded parties list as being suspended or debarred.

Section II - Findings Relating to the Financial Statements

- 10-1 Condition: District does not have procedures in place for the preparation of the government wide financial statements, disclosures, major fund determination, as well as necessary full accrual adjustments required by generally accepted accounting principles.
 Current Status: Condition still exists. See current year finding 11-1.
- 10-2 Condition: The District's internal control system does not have a review process in place for general journal entries made to the general ledger.
 Current Status: No similar findings found during current year.
- 10-3 Condition: The District's internal control system does not have a review process in place for monthly bank reconciliations.
 Current Status: No similar findings found during current year.
- 10-4 Condition: Expenditures were made prior to being properly approved
 Current Status: No similar findings found during current year.

Section III - Findings and Questioned Costs for Federal Awards

- 10-5 Condition: Employees working with the Special Education Cluster did not have Proper time and effort documentation as required by OMB Circular A-87, Attachment B, paragraph 8.h.
 Current Status: No similar findings found during current year.

Norman Independent School District No. 29
Cleveland County, Oklahoma
Schedule of Accountant's Professional liability insurance Affidavit
June 30, 2011

STATE OF OKLAHOMA)
) ss
County of Oklahoma)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit law" at the time of audit contract and during the entire audit engagement with Norman Independent School District No. 29 for the audit year 2010-2011.

EIDE BAILLY, LLP

Vanessa M. Dutton

Subscribed and sworn to before me on this 14th day of December, 2011.

Jo Carrell
Notary Public

My commission expires 99009509 7-21-2015

