

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**FREDERICK INDEPENDENT SCHOOL DISTRICT NO. I-158,  
TILLMAN COUNTY, OKLAHOMA**

**JUNE 30, 2011**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
JUNE 30, 2011

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Frederick School District No. I-158  
Frederick, Oklahoma 73542-0370

We have audited the accompanying basic financial statements of the Frederick School District No. I-158 (the District), Frederick, Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District, as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012, 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, grants 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The budgetary comparison schedules as listed in the table of contents under supplementary information are presented for purposes of additional analysis. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements the District, taken as a whole. 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

February 3, 2012

**Independent School District No. I-158, Tillman County  
Frederick Public School**

**Management's Discussion and Analysis (MD&A)  
Fiscal Year Ending June 30, 2011**

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Frederick Public Schools, ("District"), management discussion and analysis provide highlights of the District's financial activities during fiscal year 2010-2011 and an overview of the financial performance as of June 30, 2011. To obtain a more in depth understanding of the District's financial performance, attention should be directed to the financial statements and notes attached to the financial statements.

As a result of changes in Governmental Accounting Standards Board (GASB) Statement No. 34, significant changes in content and structure were made during prior year reporting. Compliance with comparative information between the current and prior year is now presented within the MD&A.

**Organization**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operation 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 State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

**Financial Highlights**

Due to an unstable economic climate within Oklahoma during fiscal year 2011, conservative budgeting remains a must. Fund balance is critical to the future stability of the District, due to a predominate decline in student population over the past several years.

Revenue decreased during fiscal year 2011 by \$145,515.00 in the general, coop, building, and debt service funds over the previous year. Expenditures decreased by \$705,141.00 in all governmental funds resulting in an overall change of net assets from fiscal year 2010. Instructional costs continue to decrease each year as funding from the state and federal levels continues to decrease.

**Overview of Financial Statements**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Independent School District No. I-158, Tillman County  
Frederick Public School**

**Management's Discussion and Analysis (MD&A)  
Fiscal Year Ending June 30, 2011**

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**Government-wide financial statements** - Government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, in a manner similar to the private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the differences between the two reported as net assets.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal years. Expenditures are reported according to function/program with offsetting program revenues. The net of each function/program combined with non-program related revenues results in the change in net assets. Examples of the function/program categories and the types of expenditures for each are reflected below:

*Instruction* – costs associated with activities that deal directly with the interaction between students and teachers.

*Support services* – student, staff, general and school administration - costs associated with providing administrative, technical and logistical support to facilitate and enhance instruction, including business, operation and maintenance, and transportation.

*Operation of non-instruction services* – costs associated with Child Nutrition program.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Those related accounts are classified into three categories: governmental, proprietary and fiduciary with each category divided into fund types. Governmental funds include General Fund, Building Fund, Co-op Fund and Sinking Fund. Fiduciary funds include Activity Fund.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. A budgetary comparison statement has been provided for the General Fund as required supplementary information.

**Government-Wide Financial Analysis**

Although not as significant a change as the prior fiscal year, the net change in fund balance as reflected on the Statement of Revenues, Expenditures and Changes in Fund Balance reflected a positive change during fiscal year 2011.

**Independent School District No. I-158, Tillman County  
Frederick Public School**

**Management's Discussion and Analysis (MD&A)  
Fiscal Year Ending June 30, 2011**

Below is a comparison of fiscal year 2010 and fiscal year 2011 Statement of Net Assets. Valuation of assets changed from Cost Replacement New in fiscal year 2004 to Original Cost in fiscal year 2005 and Original Cost was maintained during fiscal year 2011. There was \$573,269.00 in restricted assets during fiscal year 2010. Current assets increased \$493,470.00 from fiscal year 2010 to fiscal year 2011. These factors combine to create a net increase in assets of \$895,857.00. Current liabilities decreased by \$789,515.00 and total liabilities for the 2011 year decreased by \$402,387.00.

**Statement of Net Assets**

	2010	2011	% Change
Current Assets	\$2,836,182.00	\$3,272,613.00	15.3%
Capital Assets, Net	\$5,416,559.00	\$5,434,854.00	.33%
Restricted Assets	\$0.00	\$0.00	
<b>Total Assets</b>	<b>\$8,547,659.00</b>	<b>\$9,041,129.00</b>	<b>5.77%</b>
Current Liabilities	\$1,994,285.00	\$1,204,770.00	39.5%
Long-term Liabilities	\$779,000.00	\$1,166,128.00	49.6%
<b>Total Liabilities</b>	<b>\$2,773,285.00</b>	<b>\$2,370,898.00</b>	<b>-14.5%</b>
<b>Net Assets:</b>			
Invested in Capital Assets net of related debt	\$3,507,614.00	\$3,779,170.00	7.74%
Reserved	\$189,280.00	\$287,428.00	51.8%
Restricted	\$573,629.00	\$442,178.00	-22.9%
Unrestricted	\$1,503,851.00	\$2,161,455.00	43.7%
<b>Total Net Assets</b>	<b>\$5,774,374.00</b>	<b>\$6,670,231.00</b>	<b>15.5%</b>



**Independent School District No. I-158, Tillman County  
Frederick Public School**

**Management's Discussion and Analysis (MD&A)  
Fiscal Year Ending June 30, 2011**

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<b><u>Statement of Activities</u></b>			
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>Percent Change</u></b>
<b>Total Fund Revenues:</b>			
Revenues:			
District Sources	\$ 1,274,790.00	\$ 1,356,742.00	6.42%
Intermediate Sources	\$ 89,807.00	\$ 99,273.00	10.5%
State Sources	\$4,426,097.00	\$4,404,808.00	-0.48%
Federal Sources	\$1,609,239.00	\$1,862,150.00	15.7%
Interest	\$14012.00	\$16,347.00	16.6%
Non-Revenue receipts	\$50,520.00	\$44,948.00	-11.0%
<b>Total revenues</b>	<b>\$7,464,465.00</b>	<b>\$7,784,667.00</b>	<b>4.28%</b>
<b>Expenses:</b>			
Instruction	\$4,153,091.00	\$3,786,870.00	-47.05%
Support Services	\$2,676,648.00	\$2,622,063.00	-2.03%
Non-Instructional Services	\$338,543.00	\$349,640.00	3.27%
Acquisition & Construction		\$776,326.00	100%
Debt Service		\$445,527.00	100%
<b>Total expenses</b>	<b>\$7,170,419.00</b>	<b>\$7,980,426.00</b>	<b>11.29%</b>

**Independent School District No. I-158, Tillman County  
Frederick Public School**

**Management's Discussion and Analysis (MD&A)  
Fiscal Year Ending June 30, 2011**

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**Fund Financial Statement Analysis**

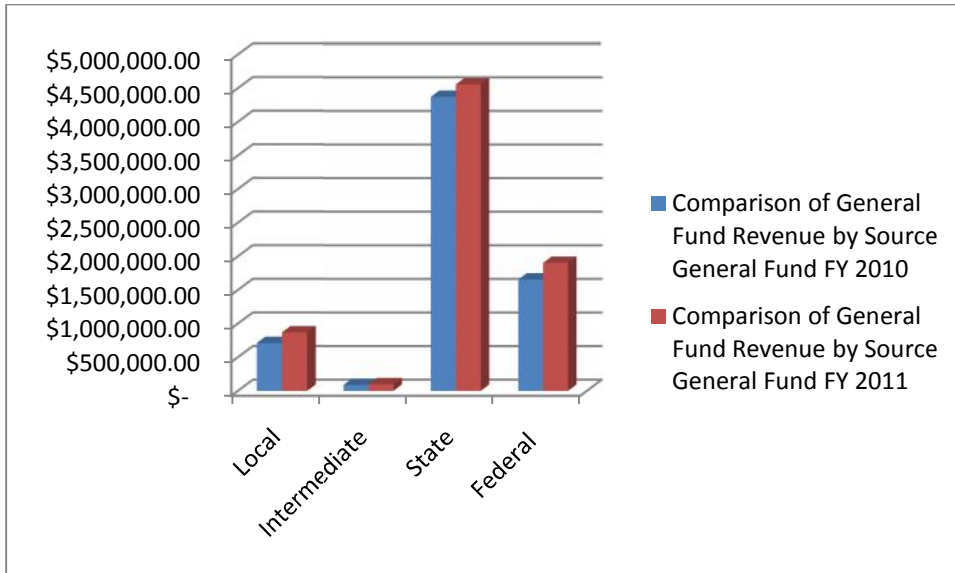
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances should be used to provide more detail to the governmental reports. The Balance Sheet provides detail by fund to the summary report of the Statement of Net Assets. The Statement of Revenues, Expenditures and Changes in Fund Balances can provide further detail to the summary report of the Statement of Activities.

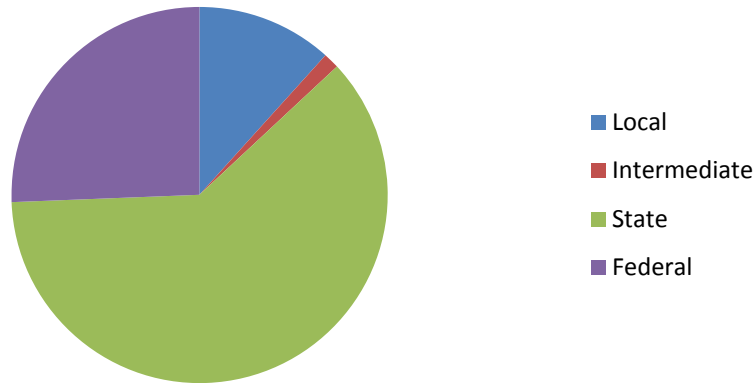
The only Fiduciary Fund active during the fiscal year 2011 was the Activity Fund. Therefore, the Statement of Fiduciary Net Assets reflects the fund balance of the Activity Fund of \$95,645.84.

**Analysis of District Revenue**

Total district revenues increased \$320,202.00 from fiscal year 2010 to fiscal year 2011. The majority of increases are federal related. The relationship between the district's revenue sources for all governmental funds during fiscal year 2011 is shown in the second chart below.



## Comparison of General Fund Revenue by Source General Fund Percentage



### Analysis of General Fund Revenue

Comparison of revenue by source for both fiscal years of General Fund is provided below. General Fund is 91.7% of total District revenue. The most significant change occurred in the state and federal sources. The increase in foundation and incentive factors and the increased state payment of flexible benefit allowance along with ARRA Stabilization and Stimulus funds contributed to the change.

### Comparison of General Fund Revenue by Source

	General Fund		Difference
	FY 2010	FY 2011	
Local	\$888,905.00	\$809,381.00	-8.94%
Intermediate	\$97,517.00	\$99,273.00	1.80%
State	\$4,417,851.00	\$4,356,668.00	-1.38%
Federal	\$1,488,749.00	\$1,862,150.00	25.08%
Interest	\$14012.00	\$16,347.00	
<b>Total Revenues</b>	<b>\$7,334,282.00</b>	<b>\$7,188,767.00</b>	<b>-1.98%</b>

## Analysis of General Fund Expenditures

Comparison of expenditures by broad function for both years of the General Fund is provided below. The District remained conservative with all expenditures during fiscal year 2011.

### Comparison of General Fund Expenditures by Function

Expenditures	General Fund		Difference
	FY 2010	FY 2011	
Instruction	\$4,294,306.00	\$3,743,944.00	-12.8%
Support services	\$2,705,146.00	\$2,529,873.00	-6.47%
Non-instructional	\$275,669.00	\$349,640.00	26.8%
Services/Facilities	\$ .00	\$2150.00	100%
Other outlays	\$2137.00	\$ .00	-100%
<b>Total Expenditures</b>	<b>\$7,330,748.00</b>	<b>\$6,625,607.00</b>	<b>-9.61%</b>

## Budgetary Highlights

The District's budget is prepared according to School District Budget Act. The budget document contains budgeted revenue by broad sources and budgeted expenditures by broad function for all governmental funds. Fiscal year 2011 budget document included General Fund, Building Fund, Co-op Fund, Bond Fund and Sinking Fund.

The budget documents supporting spreadsheets provide more detailed source and function information for each fund. Two years of historical comparative data is provided in addition to the data for the budget year.

A conservative budget was approved for fiscal year 2011, due to the loss of enrollment during this and the preceding year. The fiscal climate at the state level in Oklahoma is very unstable due to volatile energy prices. The result was a small increase to General fund balance. Through very cautious spending, the fund balance has recently increased during fiscal year 2011 in anticipation of future needs in both the areas of maintenance of physical plant and to maintain educational standards during a declining student population.

The state sources of revenue generated 60% of the District's revenue during fiscal year 2011. The most significant state source is Foundation and Incentive Aid revenue, which is directly related to the numbers and makeup of the student population. The student population has dropped significantly during the last seven years and after a slight recovery last year, it has continued to drop dramatically.

## Raw/Weighted ADM Comparison

Fiscal Year	Raw ADM	Weighted ADM
2002-03	1039.38	1609.78
2003-04	1010.92	1568.61
2004-05	962.34	1484.52
2005-06	978.21	1539.86
2006-07	964.89	1570.88
2007-08	924.84	1508.29
2008-09	884.52	1459.71
2009-10	879.51	1483.61
2010-11	884.52	1459.71

### Future Economic Factors

The District has maintained a healthy financial condition through the past several years. General fund balance was improved during fiscal year 2011. This was due in large part to cautious spending. Most of the District's revenue sources remain consistent and with the restoration of the state's Foundation and Incentive factor. There are many negative funding factors that are facing the school district in the near future. They include rapidly declining student population, state tax cuts, federal program cuts, unfunded mandates and the overall economy.

The voters approved a building project funded by a \$6,479,775.00 bond with initial funding available December 2011 in the amount of \$480,000.00 in General Obligation bonds and \$6,291,450.00 minus the cost of issuance for a total of \$5,996,793.86 available in Revenue bonds. The major impact of the project will be to renovate the lower Elementary school facilities and add an addition to it to include a library/media center/classroom building and add a Multi-purpose gymnasium for use by both Elementary and Middle School.

### Contacting the District's Financial Management

This financial report is designed to provide interested parties with a general overview of the District's finances. Additional questions or comments about the District's financial information can be requested at the following address:

Frederick Public Schools  
Director of Finance  
P.O. Box 370  
817 North 15<sup>th</sup>  
Frederick, Oklahoma 73542

# Frederick Independent School District No. I-158

Tillman County, Oklahoma

Statement of Net Assets

June 30, 2011

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Current assets-	
Cash	\$ 3,272,613
Receivables	<u>333,662</u>
Total current assets	<u>3,606,275</u>
Non-current assets-	
Capital assets (net of depreciation)	<u>5,434,854</u>
Total non-current assets	<u>5,434,854</u>
 Total assets	 <u><u>\$ 9,041,129</u></u>
 <b>LIABILITES</b>	
Current liabilities-	
Warrants payable	\$ 54,874
Accounts payable	660,340
Capital leases payable	54,556
Bonds payable	<u>435,000</u>
Total current liabilities	<u>1,204,770</u>
Long-term liabilities-	
Capital leases payable	346,128
Bonds payable	<u>820,000</u>
Total long-term liabilities	<u>1,166,128</u>
 Total liabilities	 <u>2,370,898</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,779,170
Reserved for encumbrances	287,428
Restricted debt service	442,178
Unrestricted	<u>2,161,455</u>
Total net assets	<u><u>\$ 6,670,231</u></u>

The notes to the financial statements are an integral part of this statement

## Frederick Independent School District No. I-158

Tillman County, Oklahoma

Statement of Activities

July 1, 2010 to June 30, 2011

Function/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 3,922,143	3,800	841,108	(3,077,235)
Support services	2,485,034		720,125	(1,764,909)
Operation of non-instruction services	362,129	306,128	3,681	(52,320)
Facilities acquisition & construction services	4,722			(4,722)
Other outlays:				
Other	2,150			(2,150)
Interest	112,692			(112,692)
Total governmental activities	6,888,870	309,928	1,564,914	(5,014,028)
 <b>General revenues:</b>				
Taxes -				
Property taxes, levied for general purposes				773,005
Property taxes, levied for debt service				450,188
County taxes				104,266
State aid - formula grants				3,132,413
Other local				171,486
Dedicated state				688,348
Other state				573,433
Interest				16,746
Total general revenues				5,909,885
Change in net assets				895,857
<b>NET ASSETS, beginning</b>				5,774,374
<b>NET ASSETS, ending</b>				\$ 6,670,231

The notes to the financial statements are an integral part of this statement

## Frederick Independent School District No. I-158

Tillman County, Oklahoma  
Balance Sheet - Governmental Funds  
June 30, 2011

	General Fund	Building Fund	Co-op Fund	Capital Projects Fund	Sinking Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 2,639,393	120,292	5,505	39,999	467,424	3,272,613
Receivables	329,519	733			3,410	333,662
Total assets	\$ 2,968,912	121,025	5,505	39,999	470,834	3,606,275
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Warrants payable	\$ 54,874					54,874
Accounts payable	660,340					660,340
Total liabilities	715,214	0	0	0	0	715,214
Fund Balances						
Reserved :						
Encumbrances	197,767	49,662		39,999		287,428
Debt service					442,178	442,178
Unreserved :						
Undesignated, reported in						
General fund	2,055,931					2,055,931
Other funds		71,363	5,505		28,656	105,524
Total fund balances	2,253,698	121,025	5,505	39,999	470,834	2,891,061
Total liabilities and fund balances	\$ 2,968,912	121,025	5,505	39,999	470,834	

Amounts reported for governmental activities in the statement of assets, liabilities and 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 \$10,468,024 and the associated accumulated depreciation is \$(5,033,170)	5,434,854
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities	<u>(1,655,684)</u>
Net assets of governmental activities	<u>\$ 6,670,231</u>

The notes to the financial statements are an integral part of this statement



**Frederick Independent School District No. I-158**

Tillman County, Oklahoma

Statement of Revenues, Expenditures and

Changes in Fund Balances - Governmental Funds

July 1, 2010 to June 30, 2011

	<u>General Fund</u>	<u>Building Fund</u>	<u>Co-op Fund</u>	<u>Capital Projects Fund</u>	<u>Sinking Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Local sources	\$ 809,381	96,521			450,840	1,356,742
Intermediate sources	99,273					99,273
State sources	4,356,668	661	44,425		3,054	4,404,808
Federal sources	1,862,150					1,862,150
Interest	16,347				399	16,746
Non-revenue receipts	44,948					44,948
Total revenues	<u>7,188,767</u>	<u>97,182</u>	<u>44,425</u>	<u>0</u>	<u>454,293</u>	<u>7,784,667</u>
<b>EXPENDITURES:</b>						
Current -						
Instruction	3,743,944		42,926			3,786,870
Support services	2,529,873	86,365		5,825		2,622,063
Non-instructional services	349,640					349,640
Facilities acquisition & construction services	2,150			774,176		776,326
Other outlays:						
Debt service requirements					445,527	445,527
Total expenditures	<u>6,625,607</u>	<u>86,365</u>	<u>42,926</u>	<u>780,001</u>	<u>445,527</u>	<u>7,980,426</u>
Excess (deficiency) of revenues over expenditures	563,160	10,817	1,499	(780,001)	8,766	(195,759)
<b>OTHER FINANCING SOURCES (USES):</b>						
Estopped warrants	60					60
Bond sale proceeds				820,000		820,000
Total other financing sources (uses)	<u>60</u>	<u>0</u>	<u>0</u>	<u>820,000</u>	<u>0</u>	<u>820,060</u>
NET CHANGE IN FUND BALANCES	563,220	10,817	1,499	39,999	8,766	624,301
FUND BALANCES, beginning	<u>1,690,478</u>	<u>110,208</u>	<u>4,006</u>	<u>0</u>	<u>462,068</u>	<u>2,266,760</u>
FUND BALANCES, ending	<u>\$ 2,253,698</u>	<u>121,025</u>	<u>5,505</u>	<u>39,999</u>	<u>470,834</u>	<u>2,891,061</u>

The notes to the financial statements are an integral part of this statement

**Frederick Independent School District No. I-158**  
Tillman County, Oklahoma  
Reconciliation of Statement of Revenues, Expenditures and  
Changes in Fund Balances  
July 1, 2010 to June 30, 2011

Net change in fund balances - governmental funds \$ 624,301

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are 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 and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures	287,377	
Depreciation expense	<u>(269,082)</u>	<u>18,295</u>

Some of the capital assets acquired this year were financed with general obligation bonds. The amount financed by the bonds is reported in the governmental funds as a source of financing. Therefore, the proceeds from the bonds are not revenues in the statement of revenues, expenditures, and changes in net assets but rather constitute long-term liabilities in the statement of assets, liabilities, and net assets. (820,000)

Some of the capital assets acquired this year were financed with lease purchase agreements. The the proceeds from the lease are not revenues in the statement of revenues, expenditures, and changes in net assets but rather constitute long-term liabilities in the statement of assets, liabilities, and net assets. (56,684)

Payments on capital leases and bonds are reported as expenditures in the governmental funds. Principal portion of the leases and bonds made during the period. 1,129,945

Changes in net assets of governmental activities \$ 895,857

The notes to the financial statements are an integral part of this statement

**Frederick Independent School District No. I-158**

Tillman County, Oklahoma

Statement of Net Assets - Fiduciary Funds

June 30, 2011

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Current assets-	
Cash	<u>\$ 95,704</u>
<b><u>LIABILITES</u></b>	
Current liabilities-	
Funds held for school organizations	<u>\$ 95,704</u>

The notes to the financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Frederick Public Schools Independent District No. I-158 (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for the established governmental accounting and financial reporting principles. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") pronouncements. The more significant of the District's accounting policies are described below.

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 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 State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Reporting Entity – cont'd

The Frederick School Enrichment Foundation is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the Foundation.

New Reporting Standard

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in all prior years is affected. The District has elected to implement this standard for the fiscal year ending June 30, 2011.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include tuition or fees paid by students or citizens of the District and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items including state aid that are not properly included among program revenues are reported as general revenues.

The District reports its financial activities through the use of fund accounting. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." A description of the activities of the various funds is provided below.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Funds – Special revenue funds include the District's building, child nutrition and co-op funds. The District did not maintain a child nutrition fund during the current fiscal year.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Debt Service Fund – The debt service fund is the District’s sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund – The capital projects fund is the District’s bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

Permanent Fund – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs. The District did not maintain this fund during the current fiscal year.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District only maintained the gifts and endowments fund during the current fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund – The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund – The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Insurance Recovery Fund – The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund – The agency fund is the school activities fund which is used to account for monies collected principally through the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups - GASB Statement 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

Total Column

The total column on the governmental fund financial statements is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 30 days of the fiscal year end. For this purpose, the District considers revenues, other than property taxes, that are susceptible to accrual to be available if they are collected within 60 days of the end of



INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Measurement Focus and Basis of Accounting – cont'd

the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due. Some other significant differences are as follows:

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general and building funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and as a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31, for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

The District prepares its budget in accordance with the Oklahoma School District Budget Act. The District's final budget amendment was approved as of August 17, 2011.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Budgets and Budgetary Accounting – cont'd

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

Assets, Liabilities and Fund Equity

Cash – Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments – The District is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the District. All investments are recorded at cost, which approximates market value.

Accounts Receivable – Accounts receivable in governmental funds consists of revenues which were deemed to be both measurable and available according to the recognition guidelines of the modified accrual basis of accounting.

Restricted Assets – Restricted assets consist of amounts held in escrow for three lease purchase agreements the District entered into during the 05-06 fiscal year for energy management equip, renovation and a new roof, and for new equipment.

Inventories – Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The value of inventories at June 30, 2011, is not material to the general purpose financial statements.

Capital Assets and Property, Plant and Equipment – Capital assets, which include land, building, building improvements and equipment are reported in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

Assets, Liabilities and Fund Equity –cont’d

The costs of normal maintenance and repairs that do not add to the value or utility of the asset or materially extend asset lives are not capitalized.

Building and building improvements, and equipment and fixtures are depreciated using the straight-line method beginning in the year they are placed into service. The District’s capital assets have the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20-50
Equipment and fixtures	5-15
Vehicles	8

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District’s treasurer.

Encumbrances Payable – Encumbrances payable represent commitments related to purchase orders, contracts, other commitments for expenditures, goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the modified accrual basis of accounting.

Long Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for the payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Fund Balance – Fund balance represents the funds not encumbered by purchase orders, legal contracts.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls 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 is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. 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.

Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to Districts in amounts that differ in proportion to those which are collected within such systems.

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.

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 from or additions to the revenue of the year when the adjustment is made.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Revenue and Expenditures – cont'd

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 program 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.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets. This category is used for budget purposes only.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

Revenue and Expenditures – cont'd

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest). This is used for budgetary purposes only.

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds. This is used for budgetary purposes only.

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no residual equity transfers and no operating transfers in the current fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE B - DEPOSITS AND INVESTMENTS**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District. Collateral is required to be pledged with the state treasurer for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Cash – The District's bank balance of deposits, cash pools (sweep accounts) and high balance savings at June 30, 2011, was \$3,370,552. 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 District's policy requires collateral for all deposits not covered by F.D.I.C. insurance. 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.

Investments – At June 30, 2011, the District had no investments.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. 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.

*Credit risk – Investments* – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with First National Bank, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**NOTE C – CAPITAL ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

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

Class	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 54,163			54,163
Land improvements	620,539			620,539
Buildings	7,872,936	53,612		7,926,548
Equipment & Fixtures	1,633,009	233,765		1,866,774
Totals	<u>10,180,647</u>	<u>287,377</u>	<u>0</u>	<u>10,468,024</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(465,998)	(18,850)		(484,848)
Buildings	(2,848,388)	(156,863)		(3,005,251)
Equipment & Fixtures	(1,449,702)	(93,369)		(1,543,071)
Totals	<u>(4,764,088)</u>	<u>(269,082)</u>	<u>0</u>	<u>(5,033,170)</u>
Capital Assets, Net	<u>\$ 5,416,559</u>	<u>18,295</u>	<u>0</u>	<u>5,434,854</u>

As the District acquires fixed assets, such as land, buildings and equipment, the related costs are charged to the expenditures of the respective fund at the time of purchase. During the 2007-08 fiscal year, independent appraisals were made of all general fixed assets of the District. Adjustments and reclassifications were made to the schedule above to accurately reflect the actual amounts based on the appraisal report.

**NOTE D - GENERAL LONG-TERM DEBT**

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 of the date of issue

General long-term debt of the District consists of general obligation bonds payable and capital leases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.



INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**NOTE D - GENERAL LONG-TERM DEBT – cont'd**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	Bonds Payable	Capital Leases	Total
Balance, July 1, 2010	\$ 820,000	1,088,945	1,908,945
Additions	820,000	56,684	876,684
Deletions	(385,000)	(744,945)	(1,129,945)
Balance, June 30, 2011	\$ 1,255,000	400,684	1,655,684

Bonds Payable

Building Bonds, Series 2008, original issue \$820,000 interest rate of 3.20% to 3.3%, due in annual installments of \$435,000, final payment due 7-1-11	\$ 435,000
General Obligation Bonds, Series 2010, original issue \$820,000 interest rate of 1.25%, due in annual installments of \$435,000, final payment due 7-1-13	820,000

Capital Leases

District entered into a lease purchase agreement with TAC Americas for an energy management project totaling 464,380, @ 5.346%, due in annual principal and interest installments \$45,301, final payment due 12-15-2020	344,000
District entered into a lease purchase agreement with De Lage Public, Finance for copiers totaling \$133,862, in monthly installments of \$2,485 with final payment due on 6-13-13	56,684
Total	\$ 1,655,684

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**NOTE D - GENERAL LONG-TERM DEBT – cont'd**

The annual debt service requirements for the retirement of the bond and capital leases, including the payment of principal and interest are as follows:

Year Ending June 30	Principal	Interest	Total
2012	489,556	45,170	534,726
2013	442,389	27,982	470,371
2014	464,865	20,873	485,738
2015	31,462	13,839	45,301
2016	33,144	12,157	45,301
Thereafter	194,268	32,236	226,504
Total	<u>\$ 1,655,684</u>	<u>152,257</u>	<u>1,807,941</u>

The district paid \$64,484, of interest on general long-term debt during the current fiscal year.

**NOTE E – EMPLOYEE RETIREMENT SYSTEM AND PLAN**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE E – EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd**

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2010-11 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009, were \$570,149, \$599,455, and \$543,824, respectively.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE F – 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; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the school's losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use its loss fund in three years, it is returned to the District with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

**NOTE G – RELATED PARTIES**

The Frederick School Enrichment Foundation was created for the benefit of the District. It provides grants for teachers, which supplement the publicly funded programs of the District. No employee of the District was a voting member of the foundation. Members of the District board of education did not constitute a majority of the members of the board of directors of the foundation. No other elected official of state or local government was compensated by the local foundation. The total number of exofficio foundation members was less than the number of voting foundation members. No exofficio member of the foundation board or employee of

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE G– RELATED PARTIES – cont’d**

the District was compensated by the foundation for service as an exofficio member. None of the District’s funds were deposited in any account owned or controlled by the foundation.

**NOTE H - CONTINGENCIES**

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2010-11 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$500,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL FUND - (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2011

GENERAL FUND				
	Original	Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 668,000	833,535	807,305	(26,230)
Intermediate sources	81,000	97,000	99,521	2,521
State sources	3,968,020	4,140,346	4,312,703	172,357
Federal sources	1,451,102	1,876,282	1,869,129	(7,153)
Interest earnings	10,000	14,614	16,347	1,733
Non-revenue receipts	1,500	1,500	46,134	44,634
Total revenues	<u>6,179,622</u>	<u>6,963,277</u>	<u>7,151,139</u>	<u>187,862</u>
Expenditures:				
Instruction	3,650,000	3,650,693	3,743,944	(93,251)
Support services	2,546,215	2,471,668	2,682,126	(210,458)
Operation of non-instructional services	356,000	369,540	349,640	19,900
Facilities acquisition & construction services	10,000	60,000	2,150	57,850
Other outlays:				
Correcting entry	1,500	1,500		1,500
Total expenditures	<u>6,563,715</u>	<u>6,553,401</u>	<u>6,777,860</u>	<u>(224,459)</u>
Excess (deficiency) of revenues over expenditures	(384,093)	409,876	373,279	(36,597)
Cash fund balance, beginning of year	1,068,567	1,179,551	1,179,551	0
Expenditures related to prior year budgets		149,000	141,172	(7,828)
Cash fund balance, end of year	<u>\$ 684,474</u>	<u>1,738,427</u>	<u>1,694,002</u>	<u>(44,425)</u>
Adjustments to conform with GAAP:				
Accounts receivable			329,519	
Prior year reserve for encumbrances			32,410	
Reserve for encumbrances			<u>197,767</u>	
Fund balance, end of year (GAAP basis)			<u>\$ 2,253,698</u>	

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - BUILDING FUND - (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 80,000	92,051	96,393	4,342
State sources			605	605
Total revenues	80,000	92,051	96,998	4,947
Expenditures:				
Support services	118,230	86,365	86,365	
Facilities acquisition & construction services		42,062	49,662	(7,600)
Total expenditures	118,230	128,427	136,027	(7,600)
Excess (deficiency) of revenues over expenditures	(38,230)	(36,376)	(39,029)	(2,653)
Cash fund balance, beginning of year	103,717	107,006	107,006	0
Expenditures related to prior year budgets			2,653	2,653
Cash fund balance, end of year	\$ 65,487	70,630	70,630	0
Adjustments to conform with GAAP:				
Accounts receivable			733	
Reserve for encumbrances			49,662	
Fund balance, end of year (GAAP basis)			\$ 121,025	

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - CO-OP FUND - (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2011

	CO-OP FUND			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local sources				
State sources	48,236	44,425	44,425	
Total revenues	48,236	44,425	44,425	0
Expenditures:				
Instruction	48,236	42,926	42,926	
Total expenditures	48,236	42,926	42,926	0
Excess (deficiency) of revenues over expenditures	0	1,499	1,499	0
Cash fund balance, beginning of year	3,346	4,006	4,006	0
Cash fund balance, end of year	\$ 3,346	5,505	5,505	0

The notes to the combined financial statements are an integral part of this statement



INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> <u>7-01-10</u>	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-11</u>
<b><u>ASSETS</u></b>					
Cash	\$ 98,167	376,709	0	379,172	95,704
<b><u>LIABILITIES</u></b>					
Funds held for school organizations:					
Athletics	\$ 33,395	79,667	(5,186)	83,016	24,860
Instrumental Music	4,800	17,192		19,529	2,463
Concession	8,603	17,131	(1,000)	19,610	5,124
Yearbook	4,545	8,346		8,699	4,192
FFA	4,631	55,677		52,602	7,706
Science Club	772	0		0	772
Senior Class	461	0		461	0
Junior Class	806	9,073		9,088	791
Vocal Music	580	15,702		15,998	284
Refund	0	314		314	0
HS Cheerleaders	2,778	22,019		22,616	2,181
Student Council	7,251	6,794		6,822	7,223
Miscellaneous	2,724	17,370	6,186	18,699	7,581
HS Academic Excellence	511	4,930		3,263	2,178
Special Education	535	150		206	479
Spanish Club	2,484	0		0	2,484
BOAC	1,602	2,000		3,015	587
Freshmen Class	20	0		0	20
Interactive Club	435	0		0	435
Administrative	2,990	2,704		3,160	2,534
Child Nutrition Fund-LO	8	44,891		44,899	0
MS Concessions	25	0		0	25
MS Pep Club	4,036	12,939	(100)	14,764	2,111
MS Junior Varsity Choir	1,307	10,709		11,920	96
MS Student Council	1,813	12,780		13,229	1,364
MS Miscellaneous	4,620	11,981	100	8,050	8,651
Elementary Teacher	5,457	20,161		15,427	10,191
2Much2Lose	42	0		0	42
MS Library	936	4,179		3,785	1,330
Total Liabilities	\$ 98,167	376,709	0	379,172	95,704

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - GAAP BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's No.	Program or Award Amount	Revenue Recognized	Total Expenditures
<u>U.S. Department of Education</u>					
<u>Direct Programs:</u>					
Alcohol Grant	84.184A		35,565	35,565	35,565
REMS Grant	84.184E		226,115	225,489	225,489
Sub total			<u>261,680</u>	<u>261,054</u>	<u>261,054</u>
<u>Passed Through State Department of Education</u>					
*Title I	84.010		248,492	209,095	209,095
*Title I Migrant	84.010		255,026	199,191	199,191
*Title I, ARRA	84.389		64,562	64,562	64,562
IDEA-B flowthrough	84.027		227,617	227,617	227,617
IDEA-B ARRA	84.391		11,616	8,600	8,600
IDEA-B preschool	84.173		13,401	13,378	13,378
Title IV Part A Safe Drug Free	84.186		1,563	1,563	1,563
Title III Part A	84.194		20,404	20,404	20,404
Title VI Part B Subpart 2	84.298		26,632	10,201	10,201
Title II Part A Teach Training	84.367		130,528	116,918	116,918
Title II Part D Technology	84.281		1,762	1,762	1,762
Title II Part D Professional Dev.	84.281		202	202	202
Title II Part D Competetive Grant	84.281		78,427	50,329	50,329
ARRA Stabilization	84.394		202,662	202,662	202,662
ARRA Textbook	84.397		18,884		18,884
Education JOBS	84.410		170,202	170,202	170,202
Sub total			<u>1,471,980</u>	<u>1,296,686</u>	<u>1,315,570</u>
<u>Passed Through State Department of Vocational Technical Education:</u>					
Carl Perkins grant	84.048		5,371	5,371	5,371
<u>U.S. Department of Agriculture</u>					
<u>Passed Through State Department of Education</u>					
<u>*Child Nutrition Programs:</u>					
School breakfast program	10.553			107,700	107,700
National school lunch program	10.555			190,554	190,554
Sub Total				<u>298,254</u>	<u>298,254</u>
<u>Passed Through Department of Human Services</u>					
<u>*Non-cash assistance - Commodities - Note 1</u>					
National school lunch program	10.555			18,465	18,465
Total Federal Assistance			<u>\$ 1,739,031</u>	<u>1,879,830</u>	<u>1,898,714</u>

Note 1 - Commodities received by the District in the amount of \$18,465 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

\* Major programs



**SANDERS, BLEDSOE & HEWETT**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STANDARDS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

The Honorable Board of Education  
Frederick School District No. I-158  
Frederick, Oklahoma

We have audited the basic financial statements of Frederick School District (the District) No. I-158, Frederick, Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States, 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 Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

February 3, 2012



**SANDERS, BLEDSOE & HEWETT**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Frederick School District No. I-158  
Frederick, Oklahoma

Compliance

We have audited the compliance of Frederick School District No. I-158, (the District) Frederick, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (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. The District'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 the District's management. Our responsibility is to express an opinion on the District'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 the District's compliance with those requirements and performing such other procedures as we consider 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 the District's compliance with those requirements.

In our opinion, the District 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.

### Internal Control Over Compliance

Management of the District 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 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 over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

February 3, 2012

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL  
INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2011

There were no prior years' significant deficiencies or material instances of non-compliance

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011

**Section 1** - Summary of Auditor's Results

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major were Title I Programs (84010, 84.389) and Child Nutrition Programs (10.553, 10.555) all which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not to be a low-risk auditee.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS

NONE

**Section 3** – Findings and questioned costs for federal awards

NONE



INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2011

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
CNA Surety - Western Surety Company	Treasurer	18202783	\$ 100,000	3/16/11 - 3/16/12
	Superintendent	70982967	100,000	8/23/10 - 8/23/11
	Activity Fund Custodian	68441209	1,000	7/25/10 - 7/25/11
	Encumbrance Clerk	68441209	1,000	7/25/10 - 7/25/11
	Minutes Clerk	68441209	1,000	7/25/10 - 7/25/11
	Lunch Fund Custodian	68441209	1,000	7/25/10 - 7/25/11
	Business Manager	70983012	100,000	8/23/10 - 8/23/11
	Accounts Payable	70982989	100,000	8/23/10 - 8/23/11
	Federal Programs Director	70983003	100,000	8/23/10 - 8/23/11
	Activity Fund Custodian	70982969	100,000	8/23/10 - 8/23/11

INDEPENDENT SCHOOL DISTRICT NO. I-158, TILLMAN COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma            )  
  ) ss  
County of Tulsa             )

The undersigned auditing firm of lawful ages, 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 Frederick Public Schools for the audit year 2010-11.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP  
Auditing Firm

By \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me  
This 3<sup>rd</sup> day of February, 2012

\_\_\_\_\_  
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2012  
Commission No. 00008621