

**FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**INOLA INDEPENDENT SCHOOL DISTRICT NO. 1-5,
ROGERS COUNTY, OKLAHOMA**

JUNE 30, 2011

Audited by

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

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
JUNE 30, 2011

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Inola School District No. I-5
Inola, Oklahoma

We have audited the accompanying fund type and account group financial statements of Inola School District No. I-5 (the District), Rogers County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2011, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of the District as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of 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 combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

December 2, 2011



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
Inola School District No. I-5
Inola, Oklahoma

We have audited the combined financial statements – regulatory basis of Inola School District (the District) No. I-5, Inola, Oklahoma, as of and for the year ended June 30, 2011, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated December 2, 2011. 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 District'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 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 identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 11-1, to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-2.

We noted certain other matters that we reported to management of the District in a separate letter dated December 2, 2011.

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

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

December 2, 2011



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
Inola School District No. I-5
Inola, Oklahoma

Compliance

We have audited Inola School District (the District) No. I-5, Inola, Oklahoma's, compliance 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; 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.

As described in item 11-2 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding program income that are applicable to the Child Nutrition Program. Compliance with such requirements are necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to 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 the requirements that could have a direct and material effect on a major federal program 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 11-1, to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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 did not identify any deficiencies in internal control over compliance that were considered to be a significant deficiency.

The District's response 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 response and accordingly, we express no opinion on it.

This report is intended solely for the information and use 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.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and fluid, with the ampersand being particularly stylized.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

December 2, 2011

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2011

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section 1 – Summary of Auditor’s Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed a significant deficiency in the internal controls which was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are considered material to the financial statements.
4. The audit disclosed a significant deficiency in the internal controls over the Child Nutrition major program, which was considered to be a material weakness.
5. A qualified opinion report was issued on the compliance of major programs.
6. The audit disclosed an audit findings which are required to be reported under OMB Circular A-133 § 510(a), which is reported in this schedule.
7. Programs determined to be major are the IDEA-B Special Education Programs (84.027, 84.173, 84.391) and the Child Nutrition Programs (10.553, 10.555), which were clustered in determination, and the State Fiscal Stabilization Funds (84.394) and Education Jobs (84.410), which were not clustered.
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:

#11-1 : Child Nutrition Program Collections

Condition: Adequate segregation of duties were not in place over the daily collections, subsequent deposits and adjusting entries made to the system.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Criteria: Internal controls should be in place over the daily collections to provide reasonable assurance that all receipts are properly recorded and deposited. In addition, all adjusting entries should be supported with adequate documentation and written approval..

Cause: Adequate procedures were not in place to require a reconciliation of daily cash collections to deposits and no procedures were in place to require written approval for any adjusting entries.

Effect: Because of the inadequate segregation of duties over receipts and adjusting entries, the misappropriation of funds has occurred.

Recommendation: We recommend that the District implement procedures requiring a reconciliation be performed between the daily receipt report generated by the software and the actual collections deposited (with emphasis on the 'cash' collections) by an individual not associated with the collections. Also, procedures should be implemented that require written approval be obtained for all adjusting entries.

Response:

Response to Finding #11-1 and #11-2

At the end of this school year (2010-11), it was discovered that two employees had embezzled money from our middle school and high school Cafeteria Fund. I have attached a copy of the police report that explains what they were doing and how we recognized it. Charges were filed against both employees, and both pled guilty.

We have discussed multiple ways to prevent this from happening in the future--whether it be in the cafeteria or from other areas that are vulnerable. My Child Nutrition Director (CN) and I spent much time with our auditors developing a plan.

In response to Findings 11-1 and 11-2, the following items are already being implemented:

- Rigorous enforcement of our policy of not allowing lunch charges. While it was school policy that no lunch charges could be made by middle or high school students, these two employees had been allowing it anyway. When my CN Director informed me of this (this occurred prior to our suspecting them of a crime), I told them they could no longer continue ignoring the policy. Rigorous enforcement of this policy will be important in stopping future

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

thefts. When we first noted that the money we had collected was less than expected based on number of lunches sold, we thought it was due to the number of charges they had allowed--and erroneously thought that when these students paid their bills, our books would balance (again, this was prior to our suspecting theft). This obviously proved not to be the case. Without charges being allowed, we can look at our collections and expenditures at any time during the year and they should balance.

- Daily written notice from cashiers to CN Director of all adjustments. While our policy requires that any adjustments to student accounts be accompanied with a note recorded on the lunch software program as to the reason--again, these two were violating the policy (This violation, however, was the first reason we began to suspect the theft. The police statement attached explains this further). The problem we recognized is that, until we run our end of year reports, there is no mechanism for checking these notes. While we will continue to require these notes on our lunch software system, we are now also going to require a daily written notice of all adjustments to be turned into our CN Director.
- Purchase of a finger-scanning system to reduce number of adjustments. We just purchased a \$5,000 laser finger-scanning system that will greatly reduce the number of adjustments needed. Most legitimate adjustments involve the cashier mistakenly entering the wrong student's name during a transaction. The finger-scanning system will virtually eliminate this problem, again, greatly reducing the need for adjustments.
- We will require lunch money to be re-counted by a second person daily. While we have two people collecting the money during lunch time, only one was responsible for preparing the deposit. It was during this time the two employees would make the fake adjustments and remove the cash. The CN Director would always check the deposits online the next day to make sure they balanced, but the theft had already occurred. The daily books balanced, but the end-of-year report did not. But again, until we ran that report, everything looked clear. This year we will have two people verify the deposit daily and sign off on it before it is delivered to the bank. One will receipt the money from the student while the other will enter the receipt on our CN software as a deposit to the student's account. Money received at the lunch line is receipted automatically by the software. The CN Director will confirm that the bank deposit for the day matches the receipts. She will also check to see if any adjustments were made but not reported.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

#11-2 : Child Nutrition Program Collections

Condition: Portions of the daily collections, i.e. cash, were not being deposited in a timely manner.

Criteria: The treasurer of a public entity shall deposit funds daily as required by Title 62, Oklahoma Statutes, 2001 § 517.3.

Cause: Procedures were not in place to require a reconciliation of daily cash collections to deposits.

Effect: Child nutrition collections were misappropriated.

Context: For the 2010-11 fiscal year, at the high school site, we obtained the breakdown, for every deposit, between cash and check. It was observed that a large amount of currency (cash) collections were not properly deposited in the bank by the high school site. The high school deposited \$2,391 in currency, which is much less than the previous fiscal year and much less than the amounts of currency deposited by the other school district sites. The elementary school and middle school deposited currency that averaged \$23.18 per student and \$21.91 per student, respectively. The high school's average currency collected per student for the 2010-11 fiscal year was \$6.02 per student. Based on these findings and our observation of daily currency deposits, it appears that currency was taken or misappropriated for the entire 2010-11 fiscal year. We approximate the amount of questionable costs to be \$5,946 for the 2010-11 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

	High School Currency Deposited
Total currency deposited	\$ 2,391
Total local collections deposited	\$ 46,858
Number of students	397
Average collected/student	\$ 118.03
Average currency collected/student	\$ 6.02
<u>Estimated Loss:</u>	
Average currency collections that should have been deposited*	\$ 8,337
Total currency deposited	\$ 2,391
Estimated loss / questioned cost	\$ 5,946

*This amount was derived by taking the total number of students at the high school and multiplying by \$21, which is the average currency collected per student, at the other two district sites

Recommendation: We recommend that all collections be deposited intact on a daily basis as required by Oklahoma Statutes.

Response:

Response to Finding #11-1 and #11-2

At the end of this school year (2010-11), it was discovered that two employees had embezzled money from our middle school and high school Cafeteria Fund. I have attached a copy of the police report that explains what they were doing and how we recognized it. Charges were filed against both employees, and both pled guilty.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

We have discussed multiple ways to prevent this from happening in the future--whether it be in the cafeteria or from other areas that are vulnerable. My Child Nutrition Director (CN) and I spent much time with our auditors developing a plan.

In response to Findings 11-1 and 11-2, the following items are already being implemented:

- Rigorous enforcement of our policy of not allowing lunch charges. While it was school policy that no lunch charges could be made by middle or high school students, these two employees had been allowing it anyway. When my CN Director informed me of this (this occurred prior to our suspecting them of a crime), I told them they could no longer continue ignoring the policy. Rigorous enforcement of this policy will be important in stopping future thefts. When we first noted that the money we had collected was less than expected based on number of lunches sold, we thought it was due to the number of charges they had allowed--and erroneously thought that when these students paid their bills, our books would balance (again, this was prior to our suspecting theft). This obviously proved not to be the case. Without charges being allowed, we can look at our collections and expenditures at any time during the year and they should balance.
- Daily written notice from cashiers to CN Director of all adjustments. While our policy requires that any adjustments to student accounts be accompanied with a note recorded on the lunch software program as to the reason--again, these two were violating the policy (This violation, however, was the first reason we began to suspect the theft. The police statement attached explains this further). The problem we recognized is that, until we run our end of year reports, there is no mechanism for checking these notes. While we will continue to require these notes on our lunch software system, we are now also going to require a daily written notice of all adjustments to be turned into our CN Director.
- Purchase of a finger-scanning system to reduce number of adjustments. We just purchased a \$5,000 laser finger-scanning system that will greatly reduce the number of adjustments needed. Most legitimate adjustments involve the cashier mistakenly entering the wrong student's name during a transaction. The finger-scanning system will virtually eliminate this problem, again, greatly reducing the need for adjustments.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

- We will require lunch money to be re-counted by a second person daily. While we have two people collecting the money during lunch time, only one was responsible for preparing the deposit. It was during this time the two employees would make the fake adjustments and remove the cash. The CN Director would always check the deposits online the next day to make sure they balanced, but the theft had already occurred. The daily books balanced, but the end-of-year report did not. But again, until we ran that report, everything looked clear. This year we will have two people verify the deposit daily and sign off on it before it is delivered to the bank. One will receipt the money from the student while the other will enter the receipt on our CN software as a deposit to the student's account. Money received at the lunch line is receipted automatically by the software. The CN Director will confirm that the bank deposit for the day matches the receipts. She will also check to see if any adjustments were made but not reported.

Section 3 – Findings and questioned costs for federal awards:

U.S. Department of Agriculture:

#11-1 Child Nutrition Program, CFDA No. 10.553, 10.555

See section #2.

#11-2 Child Nutrition Program, CFDA No. 10.553, 10.555

See section #2

INDEPENDENT SCHOOL DISTRICT NO. 1-5, ROGERS COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2011

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	AGENCY FUNDS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)
<u>ASSETS</u>							
Cash	\$ 1,664,189	281,289	627,781	707,037	159,683		3,439,979
Amounts available in debt service						36,906	36,906
Amount to be provided for retirement of long-term debt						2,657,692	2,657,692
Total Assets	<u>\$ 1,664,189</u>	<u>281,289</u>	<u>627,781</u>	<u>707,037</u>	<u>159,683</u>	<u>2,694,598</u>	<u>6,134,577</u>
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Warrants payable	\$ 259,463	4,900		102,365			366,728
Encumbrances	15,918	2,500		91,776			110,194
Unmatured obligations			590,875				590,875
Funds held for school organizations					159,683		159,683
Long-term debt:							
Capital lease						59,598	59,598
Bonds payable						2,635,000	2,635,000
Total liabilities	<u>275,381</u>	<u>7,400</u>	<u>590,875</u>	<u>194,141</u>	<u>159,683</u>	<u>2,694,598</u>	<u>3,922,078</u>
Fund Equity:							
Cash fund balances	<u>1,388,808</u>	<u>273,889</u>	<u>36,906</u>	<u>512,896</u>	<u>0</u>	<u>0</u>	<u>2,212,499</u>
Total Liabilities and Fund Equity	<u>\$ 1,664,189</u>	<u>281,289</u>	<u>627,781</u>	<u>707,037</u>	<u>159,683</u>	<u>2,694,598</u>	<u>6,134,577</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues Collected:					
Local sources	\$ 1,362,753	182,336	620,116		2,165,205
Intermediate sources	258,856				258,856
State sources	5,565,783				5,565,783
Federal sources	1,516,604	52,988			1,569,592
Interest earnings	104,078		1,512		105,590
Non-revenue receipts	39,879				39,879
Total revenues collected	<u>8,847,953</u>	<u>235,324</u>	<u>621,628</u>	<u>0</u>	<u>9,704,905</u>
Expenditures:					
Instruction	4,816,346	48,473		78,745	4,943,564
Support services	2,979,234	147,173		190,026	3,316,433
Operation of non-instructional services	460,326				460,326
Facilities acquisition and construction services		7,078		1,273,333	1,280,411
Other outlays:					
Reimbursements	275				275
Debt service requirements			601,750		601,750
Total expenditures	<u>8,256,181</u>	<u>202,724</u>	<u>601,750</u>	<u>1,542,104</u>	<u>10,602,759</u>
Excess of revenues collected over (under) expenditures and before other financing sources (uses)	591,772	32,600	19,878	(1,542,104)	(897,854)
Other financing sources (uses):					
Adjustments to prior year encumbrances	662				662
Bond sale proceeds				2,055,000	2,055,000
Total other financing sources (uses)	<u>662</u>	<u>0</u>	<u>0</u>	<u>2,055,000</u>	<u>2,055,662</u>
Excess of revenues collected over (under) expenditures	592,434	32,600	19,878	512,896	1,157,808
Cash fund balances, beginning of year	<u>796,374</u>	<u>241,289</u>	<u>17,028</u>	<u>0</u>	<u>1,054,691</u>
Cash fund balances, end of year	<u>\$ 1,388,808</u>	<u>273,889</u>	<u>36,906</u>	<u>512,896</u>	<u>2,212,499</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 1,187,739	1,187,739	1,362,753	175,014
Intermediate sources	227,361	227,361	258,856	31,495
State sources	5,337,209	5,521,174	5,565,783	44,609
Federal sources	1,093,061	1,384,714	1,516,604	131,890
Interest earnings			104,078	104,078
Non-revenue receipts			39,879	39,879
Total revenues collected	<u>7,845,370</u>	<u>8,320,988</u>	<u>8,847,953</u>	<u>526,965</u>
Expenditures:				
Instruction			4,816,346	(4,816,346)
Support services			2,979,234	(2,979,234)
Operation of non-instructional services			460,326	(460,326)
Other outlays:				
Reimbursement			275	(275)
Other uses	8,641,744	9,117,362		9,117,362
Total expenditures	<u>8,641,744</u>	<u>9,117,362</u>	<u>8,256,181</u>	<u>861,181</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(796,374)	(796,374)	591,772	1,388,146
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>662</u>	<u>662</u>
Excess of revenue collected over (under) expenditures	(796,374)	(796,374)	592,434	1,388,808
Cash fund balance, beginning of year	<u>796,374</u>	<u>796,374</u>	<u>796,374</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>1,388,808</u>	<u>1,388,808</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-5, ROGERS COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 147,981	147,981	182,336	34,355
Federal sources	42,000	52,988	52,988	
Total revenues collected	<u>189,981</u>	<u>200,969</u>	<u>235,324</u>	<u>34,355</u>
Expenditures:				
Instruction	37,485	48,473	48,473	
Support services			147,173	(147,173)
Facilities acquisition and construction services			7,078	(7,078)
Other uses	<u>393,785</u>	<u>393,785</u>		<u>393,785</u>
Total expenditures	<u>431,270</u>	<u>442,258</u>	<u>202,724</u>	<u>239,534</u>
Excess of revenues collected over (under) expenditures	(241,289)	(241,289)	32,600	273,889
Cash fund balances, beginning of year	<u>241,289</u>	<u>241,289</u>	<u>241,289</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>273,889</u>	<u>273,889</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 584,722	620,116	35,394
Interest earnings		1,512	1,512
Total revenues	<u>584,722</u>	<u>621,628</u>	<u>36,906</u>
Requirements:			
Bonds	580,000	580,000	
Coupons	<u>21,750</u>	<u>21,750</u>	
Total expenditures	<u>601,750</u>	<u>601,750</u>	<u>0</u>
Excess of revenue collected over (under) expenditures	(17,028)	19,878	36,906
Cash fund balance, beginning of year	<u>17,028</u>	<u>17,028</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>36,906</u>	<u>36,906</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the Inola Public Schools Independent District No. I-5 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District’s accounting policies are described below.

A. 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-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

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, co-op and child nutrition funds.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting - cont'd

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 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.

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.

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 did not maintain any expendable trust funds during the 2010-11 fiscal year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting – cont'd

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.

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

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and capital leases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

Memorandum Only - Total Column

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

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, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under accounting principles generally accepted in the United States, 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.

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by accounting principles generally accepted in the United States, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and 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.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting – cont'd

Capital leases are recorded as expenditures. Under accounting principles generally accepted in the United States, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

D. 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 2010-11 Estimate of Needs was amended by supplemental appropriations as follows:

<u>Fund</u>	<u>Total</u>
General	\$ 475,618
Co-Op	10,988

These amendments were approved by the county excise board.

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. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

E. Assets, Liabilities and Fund Equity

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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.

Inventories – The value of consumable inventories at June 30, 2011, is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets Account Group is not presented.

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 – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and 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 regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

Unmatured Obligations – The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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.

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase orders, legal contracts, outstanding warrants and unmatured obligations.

F. 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 - Revenues from intermediate sources are the amounts 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.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

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. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

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 – Consist 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).

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.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 operating transfers or residual equity transfers during the 2010-11 fiscal year.

2. CASH 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.

Cash – The District's bank balance of deposits and cash pools at June 30, 2011, was \$2,853,362. 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 equal to 110% of the deposit amount 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 outstanding 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 an 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. The District does not have a formal policy limiting its exposure arising from concentration of investments.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2011.

4. 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 can be 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 building bonds payable and capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

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	Totals
Balance, July 1, 2010	\$ 1,160,000	99,455	1,259,455
Additions	2,055,000		2,055,000
Retirements	(580,000)	(39,857)	(619,857)
Balance, June 30, 2011	<u>\$ 2,635,000</u>	<u>59,598</u>	<u>2,694,598</u>

A brief description of the outstanding long-term debt at June 30, 2011, is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
General Obligation Bonds, Series 2007, original issue \$1,650,000, interest rate of 3.70% to 3.75%, due in annual installments of \$580,000, final payment due 7-01-11	\$ 580,000
Combined Purpose Bonds, Series 2010, original issue \$2,055,000, interest rate of 1.450% to 2.450%, due in an initial installment of \$450,000, and annual installments thereafter of \$535,000, final payment due 7-01-2015	2,055,000

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT – cont'd

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
Lease purchase for copiers, dated 12-11-06, totaling \$121,549, due in monthly principal and interest installments of \$2,277	13,479
Lease purchase for equipment, dated 8-10-09, totaling \$59,940, due in monthly principal and interest installments of \$17,067	<u>46,119</u>
Total	<u>\$ 2,694,598</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	608,049	63,276	671,325
2013	465,359	40,554	505,913
2014	551,190	28,697	579,887
2015	535,000	20,063	555,063
2016	535,000	10,700	545,700
Total	<u>\$ 2,694,598</u>	<u>163,290</u>	<u>2,857,888</u>

Interest paid on general long-term debt incurred during the 2010-11 fiscal year totaled \$48,033.

5. 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

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd

Description of Plan - cont'd

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.

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, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009 were \$696,694, \$758,284 and \$729,716, respectively.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd

Annual Pension Cost – cont'd

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. Please visit www.ok.gov/TRS for all plan information.

6. 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 is 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.

The School 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 School 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.

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

7. CONTINGENCIES

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-5, ROGERS COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	<u>BUILDING FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 281,289</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Warrants payable	\$ 4,900
Encumbrances	<u>2,500</u>
Total liabilities	<u>7,400</u>
Fund Equity:	
Cash fund balances	<u>273,889</u>
Total Liabilities and Fund Equity	<u>\$ 281,289</u>

INDEPENDENT SCHOOL DISTRICT NO. 5 OF ROGERS COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	BUILDING FUND	CO-OP FUND	TOTAL
Revenues Collected:			
Local sources	\$ 182,336		182,336
Federal sources		52,988	52,988
Total revenues collected	<u>182,336</u>	<u>52,988</u>	<u>235,324</u>
Expenditures:			
Instruction		48,473	48,473
Support services	147,173		147,173
Operation of non-instructional services	7,078		7,078
Total expenditures	<u>154,251</u>	<u>48,473</u>	<u>202,724</u>
Excess of revenues collected over (under) expenditures	28,085	4,515	32,600
Cash fund balances, beginning of year	<u>245,804</u>	<u>(4,515)</u>	<u>241,289</u>
Cash fund balances, end of year	<u><u>\$ 273,889</u></u>	<u><u>0</u></u>	<u><u>273,889</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 147,981	147,981	182,336	\$		
Federal sources				42,000	52,988	52,988
Total revenues collected	<u>147,981</u>	<u>147,981</u>	<u>182,336</u>	<u>42,000</u>	<u>52,988</u>	<u>52,988</u>
Expenditures:						
Instruction				37,485	48,473	48,473
Support services			147,173			
Facilities acquisition and construction services			7,078			
Other uses	<u>393,785</u>	<u>393,785</u>				
Total expenditures	<u>393,785</u>	<u>393,785</u>	<u>154,251</u>	<u>37,485</u>	<u>48,473</u>	<u>48,473</u>
Excess of revenues collected over (under) expenditures	(245,804)	(245,804)	28,085	4,515	4,515	4,515
Cash fund balances, beginning of year	<u>245,804</u>	<u>245,804</u>	<u>245,804</u>	<u>(4,515)</u>	<u>(4,515)</u>	<u>(4,515)</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>273,889</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	2011 BUILDING BOND FUND	2011 TRANS. BOND FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 690,937	16,100	707,037
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 102,365		102,365
Encumbrances	91,776		91,776
Total liabilities	\$ 194,141	0	194,141
Fund Equity:			
Cash fund balances	496,796	16,100	512,896
Total Liabilities and Fund Equity	\$ 690,937	16,100	707,037

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	2011 BUILDING BOND FUND	2011 TRANS. BOND FUND	TOTAL
Revenues collected	\$ 0	0	0
Expenditures:			
Instruction	78,745		78,745
Support Services	121,126	68,900	190,026
Facilities acquisition & const. services	1,273,333		1,273,333
Total expenditures	1,473,204	68,900	1,542,104
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(1,473,204)	(68,900)	(1,542,104)
Other financing sources (uses):			
Bond sale proceeds	1,970,000	85,000	2,055,000
Excess of revenues collected over (under) expenditures	496,796	16,100	512,896
Cash fund balances, beginning of year	0	0	0
Cash fund balances, end of year	\$ 496,796	16,100	512,896

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 ALL AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-01-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
<u>ASSETS</u>					
Cash	\$ 127,304	635,334	0	602,955	159,683
<u>LIABILITIES</u>					
Funds held for school organizations:					
Child Nutrition program	\$ 0	155,130		155,130	0
Athletics	63,267	237,692		211,159	89,800
Athletic boosters	8,225	30,518		34,436	4,307
Cheerleaders	536	8,831		8,392	975
High school general	1,432	4,347		3,793	1,986
Middle school general	5,385	5,937		5,015	6,307
Elementary general	3,743	33,545		32,853	4,435
Elementary library	10,731	11,892		17,000	5,623
Class of 2012	110	9,823		5,450	4,483
Class of 2011	183	8,145		7,278	1,050
Class of 2008	997	0		0	997
Class of 2009	540	0		306	234
Class of 2010	1,234	0		224	1,010
Annual	10,603	13,844		10,962	13,485
Journalism	106	9,058		6,201	2,963
FCA	177	360		360	177
Vocal music	0	1,490		752	738
Band	290	6,734		6,054	970
PTO	0	1,836		1,836	0
Spanish club	166	1,076		567	675
Science club	0	1,883		1,790	93
Outdoor classroom	765	100		143	722
FCCLA	470	6,200		5,647	1,023
FFA	4,634	19,993		21,400	3,227
High school media center	4,068	5,939		5,934	4,073
High school student council	476	1,753		1,762	467
National honor society	912	9,516		9,209	1,219
Middle school cheerleaders	106	1,781		1,653	234
Middle school student council	612	6,272		4,516	2,368
Debate	425	0		0	425
JAFROTC boosters	1,330	9,738		9,914	1,154
Middle school quiz team	964	0		964	0
Choir boosters	1,144	1,499		2,315	328
Drama club	1,537	215		466	1,286
Student services	0	27,198		27,198	0
Special Olympics	2,136	2,989		2,276	2,849
Total Liabilities	\$ 127,304	635,334	0	602,955	159,683

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through	Program or Award Amount	Balance at 7/1/2010	Revenue Collected	Total Expenditures	Balance at 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060A	S060A101056	\$ 107,070	0	107,070	107,070	0
<u>Passed Through State Department of Education</u>							
Title I	84.010		185,028		172,584	172,584	
* Special Education programs:							
IDEA-B flowthrough	84.027		286,066		67,661	281,617	213,956
IDEA-B flowthrough, ARRA - Note 2	84.391		36,514			35,165	35,165
IDEA-B flowthrough, ARRA 2009-10 - Note	84.391			62,270	62,270		
IDEA-B preschool	84.173		6,192		6,192	6,192	
Title II, Part A	84.367		24,131		17,779	17,779	
Title II, Part D	84.318		1,942		1,942	1,942	
Title IV, Part A	84.186		7,142		1,692	6,796	5,104
Title IV, Part A 2009-10 - Note	84.186			1,039	1,039		
Title VI, Part B	84.358		29,245		25,543	25,543	
Learn & Serve America	94.005		4,470		4,424	4,424	
* State fiscal stabilizaton fund, ARRA	84.394		280,531		280,531	280,531	
* Education Jobs, ARRA	84.410		232,996		227,977	227,977	
Sub Total			1,094,257	63,309	869,634	1,060,550	254,225
<u>State Department of Vocational Education:</u>							
Carl Perkins	84.048		48,473		48,473	48,473	
Carl Perkins 2009-10 - Note	84.048			4,515	4,515		
Sub Total			48,473	4,515	52,988	48,473	0
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
* Child Nutrition Programs:							
School breakfast program	10.553				73,740	73,740	
National school lunch program	10.555				238,039	238,039	
Sub Total					311,779	311,779	
<u>Passed Through Department of Human Services:</u>							
* Non-cash assistance - commodities							
National school lunch program - Note 1	10.555				27,739	27,739	
<u>Other Federal Assistance:</u>							
Passed through Cherokee Nation:							
Cherokee Nation Head Start	93.600		60,000		60,000	60,000	
Cherokee Nation Child Care School Age	93.713		6,000		6,000	6,000	
Cherokee Nation Camp Millionaire	93.569		10,568		10,568	10,568	
Johnson O'Malley	15.030		11,750		11,700	11,750	50
Johnson O'Malley, 2009-10 - Note	15.030			1,845	1,845		
Flood Control	12.112		1,076		1,076	1,076	
Medicaid resources	93.774		77,794		77,794	77,794	
American Forest Foundation	N/A		60		60	60	
ROTC program - Air Force	12.N/A		1,090		1,090	1,090	
JROTC program - Air Force	12.N/A		50,586		50,586	50,586	
Job Training - OJT	84.126		7,402		7,402	7,402	
Sub Total			226,326	1,845	228,121	226,326	50
Total Federal Assistance			\$ 1,476,126	69,669	1,597,331	1,781,937	254,275

Note - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 1 - Commodities received by the District in the amount of \$27,739 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 2 - This amount represents a 2009-10 fiscal year expenditure claim, received and processed by the State Department of Education during the 2010-11 fiscal year, and received by the District in the 2011-12 fiscal year.

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
CNA Surety -				
Westen Surety Company	Treasurer	66690	\$ 100,000	7/01/10 - 6/30/11
	Encumbrance Clerk	60169766398	100,000	9/27/10 - 9/27/11
	Minutes Clerk	60169766398	100,000	9/27/10 - 9/27/11
	Activity Fund	60169766398	100,000	9/27/10 - 9/27/11
	Lunch Fund Custodian (1)	60169766398	100,000	9/27/10 - 9/27/11
	Lunch Fund Custodian (2)	60169766398	100,000	9/27/10 - 9/27/11
	Lunch Fund Custodian (3)	60169766398	100,000	9/27/10 - 9/27/11
	Lunch Fund Custodian (4)	60169766398	100,000	9/27/10 - 9/27/11
	Lunch Fund Custodian (5)	60169766398	100,000	9/27/10 - 9/27/11
	Payroll Clerk	60169766398	100,000	9/27/10 - 9/27/11
	Superintendent	60169766398	100,000	9/27/10 - 9/27/11
	Asst. Superintendent	60169766398	100,000	9/27/10 - 9/27/11

INDEPENDENT SCHOOL DISTRICT NO. I-5, ROGERS 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 Inola 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 2nd day of December, 2011

Notary Public (or Clerk or Judge)

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