

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Jay School District No. I-1  
Delaware County, Oklahoma  
June 30, 2011**

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**Jay School District No. I-1  
Delaware County, Oklahoma  
School District Officials  
June 30, 2011**

**Board of Education**

President	Navada Jeffries
Vice-President	Curt Rader
Clerk	Joan Dinsmoore
Member	Monte Rutherford
Member	Leroy Hendron

**Superintendent of Schools**

Charles Thomas

**School District Treasurer**

Misty Osburn

**Minute Clerk**

Debbie Wolf

**Encumbrance Clerk**

Melinda Allen

**Jay School District No. I-1  
Delaware County, Oklahoma  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Jay School District No. I-1  
Jay, Delaware County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jay School District No. I-1, Delaware County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jay School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jay School District No. I-1, Delaware County, Oklahoma as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report November 22, 2011, on our consideration of the Jay School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information of pages 7 through 14 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information

and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jay School District's financial statements 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 also not a required part of the basic financial statements of Jay School District. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

TURNER & Associates, PLLC

Vinita, Oklahoma  
November 22, 2011



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

The Honorable Board of Education  
Jay School District No. I-1  
Jay, Delaware County, Oklahoma

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jay School District No. I-1, Delaware County, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Jay School District's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Jay School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jay School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jay School District's internal control over financial reporting.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in 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. We consider the deficiencies, 2011-1 and 2011-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.



A *significant deficiency* is a deficiency, or a 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jay School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-3.

We noted certain matters that we reported to management of Jay School District, Jay, Oklahoma, in a separate letter dated November 22, 2011.

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

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

TURNER & ASSOCIATES, PLLC

Vinita, Oklahoma  
November 22, 2011





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

The Honorable Board of Education  
Jay School District No. I-1  
Jay, Delaware County, Oklahoma

**Compliance**

We have audited Jay School District No. I-1, Delaware County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jay School District No. I-1, Delaware County, Oklahoma's major federal programs for the year ended June 30, 2011. Jay School 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 Jay School District No. I-1, Delaware County, Oklahoma'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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Jay School District No. I-1, Delaware County, Oklahoma, 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 Jay School District No. I-1, Delaware County, Oklahoma 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 Jay School District No. I-1, Delaware County, Oklahoma'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 Jay School District No. I-1, Delaware County, Oklahoma'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 necessarily identify all deficiencies in internal control that might be 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.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jay School District No. I-1, Delaware County, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

TURNER & Associates, PLLC

Vinita, Oklahoma  
November 22, 2011



**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

Our discussion and analysis of Jay School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements which begin on page 15.

**FINANCIAL HIGHLIGHTS**

- The District's net assets increased by \$699,121 a result of this year's operations.
- Revenues decreased in total by \$23,137 or less than 1 % from the previous fiscal year.
- Additions to capital assets included two 2012 IC 71 Passenger buses, 2010 Chevy Impala, sidewalks, asphalt paving, a floor scrubber, a digital copier, and several new HVAC units.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements.

The district-wide reports are designed to show the District as a sum of its significant fund activities. The Statement of Net Assets and Statement of Activities (pages 15-16) provide information about the governmental-type activities of the whole District, presenting both an aggregate view of the School District finances and a longer-term view of those finances.

Fund financial statements (pages 17-19) provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District's most significant funds are the general fund and the building fund.

The remaining Fiduciary Fund Statements (pages 20-23) provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of others (student groups) to whom the resources in question belong.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**Reporting the District as a Whole**

*Statement of Net Assets*

Our analysis of the District as a whole begins on page 10. The view of the District as a whole looks at all financial transactions and asks the questions, "Is the District better off or worse off as a result of this year's activities?" and "Why?" or "Why not?" The Statement of Net Assets and the Statement of Activities provide information about the District as a whole and about its activities in a way that helps answer these questions. The statements include *assets* and *liabilities* using the accrual basis of accounting similar to the accounting used in the Fund Financial Statements.

These two statements report the District's *net assets* and any changes in those net assets. The change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The causes of the change in net assets may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Oklahoma, facility conditions, required educational programs and other factors.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of its students.

In the Statement of Net Assets and the Statement of Activities, the District is comprised entirely of governmental activities. All of the school's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

Our analysis of the District's major funds begins on page 12. The fund financial statements begin on page 17 and provide detailed information about the District's most significant funds.

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a modified accrual basis of accounting. This basis of accounting measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities and governmental *funds* is reconciled in the financial statements of the *Governmental Funds*.

**The District as Trustee**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20-23. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**THE DISTRICT AS A WHOLE**

The District's Net Assets are reported in the Statement of Net Assets on page 15.

The District's total net assets were \$15,923,672 as of June 30, 2011. Table 1 provides a comparative summary schedule of net assets.

Table 1  
Summary of Net Assets

	June 30, 2011	June 30, 2010
Current Assets	\$ 3,282,644	\$ 3,243,111
Capital Assets, net of Accumulated Depreciation	16,139,847	16,308,192
Total Assets	<u>\$ 19,422,491</u>	<u>\$ 19,551,303</u>
Current Liabilities	\$ 1,339,960	\$ 1,117,266
Noncurrent Liabilities	2,158,859	3,209,486
Total Liabilities	<u>\$ 3,498,819</u>	<u>\$ 4,326,752</u>
Net Assets, Invested in Capital Assets and Construction in Progress, net of Related Debt	\$ 12,888,834	\$ 12,011,778
Net Assets, Restricted for Debt Service	498,626	45,385
Net Assets, Unrestricted	2,536,212	3,167,389
Total Net Assets	<u><u>\$ 15,923,672</u></u>	<u><u>\$ 15,224,551</u></u>

Most of the District's net assets are invested in capital assets (land, buildings, buses and equipment). The remaining net assets are a combination of restricted and unrestricted amounts. The restricted balances are amounts set aside by management for specific purposes as planned by the District or required by law.

Net assets of the District increased by \$699,121, or more than 4%. This increase is comprised of an increase of \$877,056 in amounts invested in capital assets and construction in progress, net of related debt; an increase of \$453,241 in restricted net assets; and a decrease of \$631,177 in unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

The results of this year's operations as a whole are reported in the Statement of Activities on page 16. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Districts activities that are supported by other general revenues. The largest sources of general revenues are State Aid, operating grants and local taxes assessed to community taxpayers.

Table 2 takes the information from that Statement and rearranges it slightly.

Table 2  
Summary of Change in Net Assets

	June 30, 2011	June 30, 2010
Charges for Services	\$ 106,367	\$ 111,897
Operating Grants and Contributions	3,736,099	3,848,632
Taxes	3,649,073	3,614,006
State Aid - Formula Grants	6,983,979	7,296,376
Investment Earnings	18,006	32,436
Rentals, Disposals and Commissions	81,464	45,888
Miscellaneous	439,658	88,547
Total Revenues	<u>15,014,645</u>	<u>15,037,783</u>
Instruction	7,815,594	8,285,151
Support Services	4,642,998	5,028,290
Non-Instruction Services	849,360	985,922
Capital Outlay	37,729	-
Other Outlays	474,081	21,500
Interest on Long-Term Debt	70,281	76,752
Unallocated Depreciation Expense	425,482	432,245
Total Expenses	<u>14,315,525</u>	<u>14,829,861</u>
Total Increase in Net Assets	<u><u>\$ 699,121</u></u>	<u><u>\$ 207,922</u></u>

Taxes made up 24% of total revenues for Jay School District in fiscal year 2011 while operating grants provided 25% and State Aid provided 47% of revenues.

UNAUDITED



**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**THE DISTRICT'S FUNDS**

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,028,249 and expenditures of \$15,206,185. The overall net decrease in fund balances of \$177,936 is comprised of an increase in the general fund balance of \$215,906; an increase in the building fund balance of \$76,884; an increase in the debt service fund balance of \$424,966; and a decrease in other governmental fund balances of \$895,691.

**General Fund Budgetary Highlights**

The District's budget is prepared according to Oklahoma law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the fiscal year, the Board of Education (The Board) authorizes revisions to the original budget if necessary to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on pages 39-40.

In the General Fund, actual revenues were \$279,472 less than budgeted and actual expenditures were \$713,801 less than budgeted, resulting in a general fund balance carryover of \$993,273.

In the Building Fund, actual revenues were \$135,661 more than budgeted and actual expenditures were \$363,070 less than budgeted, resulting in a building fund balance carryover of \$498,731.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the District had \$21,078,117 invested in a broad range of capital assets, including land, buildings, buses, equipment, and construction in progress. This amount represents an increase of \$116,740.68 or less than 1% from last year.

The District purchased a 2010 Chevy Impala; new playground equipment, several new HVAC units, asphalt paving, concrete sidewalks, an T3 floor Scrubber, and a Sharp MX digital copier.

**Debt Administration**

At June 30, 2011, the District had \$3,209,486 in bonds and capital leases outstanding, with \$1,050,627 due within one year. Table 3 gives a comparative summary of debt outstanding.

Table 3  
Outstanding Bonds and Capital Lease Obligations

	June 30, 2011	June 30, 2010
2001 Building Bonds	\$ -	\$ 50,000
2010 Building Bonds	925,000	925,000
Capital Lease Agreement - CBL Capital Corp	75,022	136,434
Capital Lease Agreement - Jay Industrial Authority	1,955,953	2,815,602
Capital Lease Agreement - Grand Savings Bank	62,902	82,279
Capital Lease Agreement - Grand Savings Bank	190,609	230,248
Total Bonds and Leases Outstanding	<u>\$ 3,209,486</u>	<u>\$ 4,239,562</u>

UNAUDITED

**Jay School District No. I-1  
Delaware County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**Debt Administration (continued)**

The State limits the amount of general obligation debt that school districts can issue to 10% of the assessed value of all taxable property within the District's corporate limits. At June 30, 2011, the District's total bonding capacity was \$4,634,236, with \$925,000 in bonds outstanding for a net bonding capacity of \$3,709,236

**THE FUTURE OF THE DISTRICT**

The Board of Education and management considered many factors when setting the fiscal year June 30, 2012 budget, including economic trends and issues, trends in residential growth, student enrollment trends, State of Oklahoma funding issues, and known information about Federal grants.

Plans for the upcoming year include increasing the surplus.

Our Estimate of Needs for General Fund for the year ended June 30, 2012 is \$13,231,808

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at Jay School District, P.O. Box 630, Jay, OK 74346-0630.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Statement of Net Assets  
June 30, 2011**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 2,330,458.07
Taxes Receivable	180,144.29
Due from Other Governments	772,041.89
Total Current Assets	<u>3,282,644.25</u>

## Noncurrent Assets:

Capital Assets, net of accumulated depreciation	15,684,155.39
Capital Assets, non-depreciable	455,691.20
Total Noncurrent Assets	<u>16,139,846.59</u>
<b>TOTAL ASSETS</b>	<u><u>19,422,490.84</u></u>

**LIABILITIES**

## Current Liabilities:

Accrued Payables	41,526.91
Accounts Payable	247,806.55
Current Portion of Capitalized Lease Obligations	125,626.77
Current Portion of Bonds Payable	925,000.00
Total Current Liabilities	<u>1,339,960.23</u>

## Noncurrent Liabilities

Capitalized Lease Obligations	<u>2,158,858.80</u>
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**TOTAL LIABILITIES**

3,498,819.03

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	12,888,834.11
Restricted for Debt Service	498,626.14
Unrestricted	2,536,211.56
<b>TOTAL NET ASSETS</b>	<u><u>\$ 15,923,671.81</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 7,815,593.52	\$ 2,720.00	\$ 3,064,201.10	\$ -	\$ (4,748,672.42)
Support Services					
Students	862,886.38	-	-	-	(862,886.38)
Instructional Staff	633,377.59	-	-	-	(633,377.59)
General Administration	417,926.47	-	-	-	(417,926.47)
School Administration	836,548.89	-	-	-	(836,548.89)
Business	272,744.96	-	-	-	(272,744.96)
Operation and Maintenance of Plant	1,108,458.59	-	-	-	(1,108,458.59)
Student Transportation	511,054.87	-	-	-	(511,054.87)
Non-Instruction Services					
Child Nutrition Programs	849,359.55	103,647.46	671,897.56	-	(73,814.53)
Capital Outlay	37,729.38	-	-	-	(37,729.38)
Other Outlays	474,081.17	-	-	-	(474,081.17)
Interest on Long-Term Debt	70,281.29	-	-	-	(70,281.29)
Unallocated Depreciation Expense	425,481.87	-	-	-	(425,481.87)
<b>Total Governmental Activities</b>	<u>\$ 14,315,524.53</u>	<u>\$ 106,367.46</u>	<u>\$ 3,736,098.66</u>	<u>\$ -</u>	<u>(10,473,058.41)</u>
<b>General Revenues:</b>					
Taxes					
Property Taxes					2,568,238.07
Other Taxes					1,080,834.47
State Aid - Formula Grants					6,983,979.03
Investment Earnings					18,005.87
Reimbursements					81,463.77
Miscellaneous					439,657.99
<b>Total General Revenues</b>					<u>11,172,179.20</u>
<b>Change in Net Assets</b>					699,120.79
<b>Net Assets, Beginning</b>					<u>15,224,551.02</u>
<b>Net Assets, Ending</b>					<u>\$ 15,923,671.81</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Building Fund	Debt Service Fund		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,238,001.85	\$ 500,471.13	\$ 488,156.45	\$ 103,828.64	\$ 2,330,458.07
Taxes Receivable	164,585.25	5,089.35	10,469.69	-	180,144.29
Due from Other Governments	763,990.21	-	-	8,051.69	772,041.90
<b>Total Assets</b>	<u>\$ 2,166,577.31</u>	<u>\$ 505,560.48</u>	<u>\$ 498,626.14</u>	<u>\$ 111,880.33</u>	<u>\$ 3,282,644.26</u>

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

Accounts Payable	\$ 244,728.93	\$ 1,740.00	\$ -	\$ 1,337.62	\$ 247,806.55
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**Fund Equity:**

Cash Fund Balance, Unassigned	1,921,848.38				1,921,848.38
Cash Fund Balance, Restricted	-	503,820.48	498,626.14	110,542.71	1,112,989.33
<b>Total Fund Equity</b>	<u>1,921,848.38</u>	<u>503,820.48</u>	<u>498,626.14</u>	<u>110,542.71</u>	<u>3,034,837.71</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 2,166,577.31</u>	<u>\$ 505,560.48</u>	<u>\$ 498,626.14</u>	<u>\$ 111,880.33</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$21,078,116.62 and the accumulated depreciation is \$4,938,270.03 for a net book value of \$16,139,846.59.

16,139,846.59

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Accrued Rent Payable	5,000.00	
Accrued Interest Payable	36,526.91	
General Obligation Bonds Payable	925,000.00	
Capitalized Lease Obligations Payable	<u>2,284,485.57</u>	<u>(3,251,012.48)</u>

Net Assets of Governmental Activities	<u>\$ 15,923,671.82</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Building Fund	Debt Service Fund		
Revenues:					
Local Sources	\$ 1,722,973.60	\$ 236,787.39	\$ 491,453.95	\$ 103,647.46	\$ 2,554,862.40
Intermediate Sources	373,471.06	-	-	-	373,471.06
State Sources	7,984,885.42	0.14	-	12,681.62	7,997,567.18
Federal Sources	2,964,201.10	100,000.00	-	671,897.56	3,736,098.66
Return of Assets	366,250.19	-	-	-	366,250.19
Total Revenues	<u>13,411,781.37</u>	<u>336,787.53</u>	<u>491,453.95</u>	<u>788,226.64</u>	<u>15,028,249.49</u>
Expenditures:					
Instruction	7,832,992.52	-	-	-	7,832,992.52
Support Services	4,786,256.36	217,810.43	-	-	5,004,066.79
Non-Instruction Services	446,919.76	-	-	402,439.79	849,359.55
Capital Outlay	26,603.88	42,093.58	-	910,500.00	979,197.46
Other Outlays	103,103.00	-	-	370,978.17	474,081.17
Bond Payments	-	-	50,000.00	-	50,000.00
Interest	-	-	16,487.50	-	16,487.50
Total Expenditures	<u>13,195,875.52</u>	<u>259,904.01</u>	<u>66,487.50</u>	<u>1,683,917.96</u>	<u>15,206,184.99</u>
Excess (Deficit) of Revenues					
Over (Under) Expenditure:	215,905.85	76,883.52	424,966.45	(895,691.32)	(177,935.50)
Cash Fund Balance					
Beginning of Year	<u>1,705,942.53</u>	<u>426,936.96</u>	<u>73,659.69</u>	<u>1,006,234.02</u>	<u>3,212,773.20</u>
Cash Fund Balance					
End of Year	<u>\$ 1,921,848.38</u>	<u>\$ 503,820.48</u>	<u>498,626.14</u>	<u>\$ 110,542.70</u>	<u>\$ 3,034,837.70</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balances to the District Wide Statement of Activities**  
**For the Year Ended June 30, 2011**

Excess of Revenues Collected Over Expenditures Paid - Governmental Funds	\$	(177,935.50)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the district wide statements, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay expenditures	\$	270,740.68	
Loss on Assets sold		(13,604.17)	
Depreciation expense		(425,481.87)	(168,345.36)

Payments on capitalized lease obligations are included in capital outlay expenditures in the governmental funds. The principal portion of these payments is reported lease payments is an expenditure.

Change in Accrued Interest Payable	\$	15,325.69	
Principal payments on capital lease obligations		980,075.96	995,401.65

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long term liabilities at year-end consist of

General Obligation Bonds Payments		50,000.00
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Change in Net Assets of Governmental Activities	\$	699,120.79
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The accompanying Notes to the Financial Statements are an integral part of this statement.



**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Statement of Assets, Liabilities and Fund Equity**  
**Fiduciary Funds**  
**June 30, 2011**

**ASSETS**

Cash and Cash Equivalents	\$ 147,737.30
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**LIABILITIES**

Due to Students	\$ 147,737.30
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

<u>ACTIVITIES</u>	Balance July 1, 2010	Receipts	Adj. Entries	Disbursements	Balance June 30, 2011
Athletics	\$ 1,917.63	\$ 74,969.50	\$ (178.50)	\$ 75,087.98	\$ 1,620.65
Band	744.59	7,047.00	(21.00)	7,160.29	610.30
Beta Club	1,025.35	320.00	(94.50)	1,000.00	250.85
Bullpup Renaissance	1,013.93	890.00	-	415.96	1,487.97
Elementary Technology	1,995.94	6,890.00	-	6,636.96	2,248.98
Althletic Facility	150.00	-	-	-	150.00
Cross Country	1,417.34	-	-	172.56	1,244.78
Grade K4 2007-2008	61.00	-	-	-	61.00
FCA	-	599.47	-	599.47	-
Wrestling	1,490.29	1,203.10	-	80.94	2,612.45
Golf	350.00	-	-	69.88	280.12
Girls Basketball	115.71	9,346.00	-	7,991.47	1,470.24
Elementary Playground	14,825.60	-	-	5,571.20	9,254.40
Pom Squad	8.48	-	-	-	8.48
FCCLA	607.35	2,154.75	(31.50)	2,666.12	64.48
FFA	17,261.59	36,485.60	(63.00)	35,361.88	18,322.31
General Fund Refund	-	689.78	-	689.78	-
Elementary School	28,614.22	6,373.42	-	20,105.48	14,882.16
Elem. Media Center	1,756.71	7,250.35	-	5,897.89	3,109.17
K4 2008-2009	1,489.45	2,165.45	-	2,539.67	1,115.23
Elem. Sch PE	11,468.16	1,167.50	-	714.96	11,920.70
High School Acct	25.26	-	3,000.00	2,434.15	591.11
Indian Club	0.22	-	-	-	0.22
Jump Rope Demo Team	119.73	-	-	-	119.73
Boys Basketball	0.00	2,728.05	-	2,311.57	416.48
MS Science	2,690.06	8,769.17	-	10,472.23	987.00
HS Library	786.71	314.33	-	389.95	711.09
MS Library	1,672.61	156.36	-	-	1,828.97
MS Acct	927.79	3,791.70	-	3,904.97	814.52
MS Pep Club	219.48	6,195.90	-	5,498.87	916.51
MS Technology	615.23	166.00	-	99.54	681.69
MS Special	500.59	-	-	434.49	66.10
MS Student	1,316.84	3,235.74	-	3,888.96	663.62
Miscellaneous	6,049.29	16,310.58	200.00	17,597.31	4,962.56
Subtotals - to page 22	<u>\$ 101,237.15</u>	<u>\$ 199,219.75</u>	<u>\$ 2,811.50</u>	<u>\$ 219,794.53</u>	<u>\$ 83,473.87</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.  
 (continued)

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Statement of Changes in Assets and Liabilities (Continued)**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

<u>ACTIVITIES</u>	Balance July 1, 2010	Receipts	Adj. Entries	Disbursements	Balance June 30, 2011
Subtotals - from page 21	\$ 101,237.15	\$ 199,219.75	\$ 2,811.50	\$ 219,794.53	\$ 83,473.87
NHS	29.53	-	-	-	29.53
Petty Cash	-	200.00	-	200.00	-
Petty Cash HS	-	200.00	-	200.00	-
Petty Cash MS	-	200.00	-	200.00	-
Petty Cash Grade School	-	200.00	-	200.00	-
HS Cheerleading	1,850.89	12,096.80	(10.50)	10,627.21	3,309.98
MS Space Camp	-	27,670.50	1,200.00	26,684.25	2,186.25
Kindergarten	2,072.83	2,197.74	-	2,554.66	1,715.91
Special Education	33.72	-	-	29.85	3.87
Student Transportation	3.08	-	-	-	3.08
Student Council	1,651.10	4,865.55	(289.25)	4,756.54	1,470.86
Student Center	3,583.14	21,121.90	(3,000.00)	18,659.22	3,045.82
Technology Student	2,719.61	3,806.54	144.00	4,637.98	2,032.17
Softball Concessions	3,198.05	5,651.48	-	6,311.22	2,538.31
Vocal Music	1,773.78	9,050.88	(31.50)	8,530.75	2,262.41
Yearbook Acct	3,386.71	14,774.54	(36.75)	17,520.65	603.85
Drama Club HS	865.47	710.37	(94.50)	659.08	822.26
Outdoor Classroom	5,348.94	1,079.00	(144.00)	636.47	5,647.47
Indian Heritage Club	60.68	-	-	-	60.68
Gear Up	-	9,316.00	(200.00)	5,751.43	3,364.57
Advanced Placement	81.00	300.00	-	300.00	81.00
Advanced Placement	326.70	-	-	-	326.70
First Grade	1,021.66	2,691.30	-	3,284.47	428.49
Elem Special Education	417.16	1,960.50	-	1,638.81	738.85
Science Club HS	703.58	-	-	-	703.58
Art Club	45.75	-	-	-	45.75
Math Club	240.07	320.00	-	-	560.07
Baseball Special Acct	29.56	2,010.03	-	2,034.95	4.64
Third Grade	2,165.12	13,264.00	-	12,563.58	2,865.54
Watch DOGS	411.13	-	-	-	411.13
MS Multi Class	2,505.58	10,310.40	(1,216.69)	9,194.40	2,404.89
Fourth Grade 2008/2009	3,099.60	4,101.34	-	4,756.86	2,444.08
Subtotals - to page 23	<u>\$ 138,861.59</u>	<u>\$ 347,318.62</u>	<u>\$ (867.69)</u>	<u>\$ 361,726.91</u>	<u>\$ 123,585.61</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.  
(continued)

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Statement of Changes in Assets and Liabilities (Continued)**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Adj. Entries</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Subtotals - from page 22	\$ 138,861.59	\$ 347,318.62	\$ (867.69)	\$ 361,726.91	\$ 123,585.61
Fifth Grade 2008-2009	255.81	6,262.56	-	4,714.13	1,804.24
Second Grade 2008-2009	2,147.06	4,727.00	-	6,025.34	848.72
Fieldhouse	4,337.21	213.31	-	4,550.52	0.00
HS Special Olympics	790.29	4,616.77	(31.50)	5,271.86	103.70
Petty Cash - Upper Elem	-	200.00	-	200.00	-
JHS CABT	92.92	296.00	-	66.47	322.45
Junior Class	6,486.81	21,452.40	216.69	21,728.45	6,427.45
Sixth Grade	-	3,788.96	-	2,275.74	1,513.22
Senior Class	1,559.20	569.76	682.50	1,639.80	1,171.66
Upper Elem PE	1,270.00	-	-	-	1,270.00
Upper Elem Library	821.83	2,698.55	-	2,619.11	901.27
Elem Special Olympics	3.95	-	-	-	3.95
Upper Elem	97.79	18,683.88	-	11,609.27	7,172.40
UE Special Olympics	2,210.50	1,535.63	-	1,133.50	2,612.63
Child Nutrition Program	-	105,114.70	-	105,114.70	-
<b>ASSETS</b>					
Cash	<u>\$ 158,934.96</u>	<u>\$ 517,478.14</u>	<u>\$ -</u>	<u>\$ 528,675.80</u>	<u>\$ 147,737.30</u>
<b>LIABILITIES</b>					
Due to Students	<u>\$ 158,934.96</u>	<u>\$ 517,478.14</u>	<u>\$ -</u>	<u>\$ 528,675.80</u>	<u>\$ 147,737.30</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies**

The following notes to the financial statements are an integral part of the District's financial statements.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units.

**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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. There are no component units (entities considered to be financially accountable to the District).

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. 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.

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

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any activities classified as business-type activities.

The District has the following fund types:

**Governmental Fund Types** - are used to account for most of the District'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).

Governmental fund types include the following funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs.

Special Revenue Funds - The special revenue funds account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund Child Nutrition Fund and Insurance Recovery Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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.

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 operations of the school cafeteria.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)**

Governmental fund types (continued):

Debt Service Fund - The Debt Service Fund consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Projects Funds – The Capital Projects Fund consists of the District's Building Bond Fund.

**Fiduciary Fund Types** - are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Fiduciary fund types include the following funds:

Agency Fund - The Agency Fund is custodial in nature and does not present results of operations. Agency Funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fund raising efforts of the students and District-sponsored groups. This is not a budgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

**1. District-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. All activities of the District are considered governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of Activities and Changes in Net Assets demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District-Wide Financial Statements are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)**

**2. Fund Financial Statements**

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are also provided for all of the governmental and fiduciary funds of the District. The District's major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported separately from governmental funds.

The District reports the following major governmental funds:

General Fund  
Building Fund  
Debt Service Fund

The District reports the following non-major governmental funds:

Capital Projects Fund  
Child Nutrition Fund

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

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**1. Deposits and Investments**

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.



**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Interfund Transactions**

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**5. Inventories**

Governmental fund inventories are accounted for using the purchases method where materials and supplies are recorded as expenditures immediately when purchased. If the purchases method is used and significant inventory exists at the reporting date, an entry should be made to reflect the amount on hand.

**6. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the District-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements (15-60 years); transportation equipment (5-15 years); equipment (5-15 years).

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)**

**7. Compensated Absences**

District employees are entitled to 10 days annual sick leave for illness of the employee or illness in the immediate family with full pay for those days used. Employees are not paid for unused sick days. These unused sick days may accumulate to a maximum of 180 days. Total accumulated unused sick days will be used in the computation of years of service and may entitle the employee to early retirement. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**8. Long-Term Obligations**

In the District-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities. In the Fund Financial Statements, the face amount of debt issues is reported as revenues while principal and interest payment on debt are recorded as expenditures.

**9. Property Taxes and Other Local Revenues**

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. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. 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 timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

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

**10. 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 were collected within such systems.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)**

**11. State Revenues**

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. Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of 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 or additions of revenue of the year when the adjustment is made.

**12. 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 pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of 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.

**13. Net Assets/Fund Balances**

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed on the use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)**

**13. Net Assets/Fund Balances (continued)**

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

***Restricted*** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

***Committed*** fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The District's Board of Education is the highest level of decision making authority of the District.

***Assigned*** fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

***Unassigned*** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**14. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the District considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The District is required by state law to prepare an annual budget. An annual Estimate of Needs is approved by the Board in September, filed with the County Clerk and approved by the County Excise Board. Supplemental appropriations are made during the year. The District's budget is prepared on a basis of accounting prescribed by the Oklahoma Department of Education which conforms to the system of accounting authorized by the State of Oklahoma. This regulatory basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**B. Encumbrance Accounting**

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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

**III. Detailed Notes Concerning the Funds**

**A. Custodial Credit Risk**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of June 30, 2011, \$127,822.21 of the District's deposits were exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**III. Detailed Notes Concerning the Funds (continued)**

**B. Changes in Capital Assets**

Capital asset activity for the year was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Not Depreciated</b>				
Land	\$ 455,691.20	\$ -	\$ -	\$ 455,691.20
<b>Depreciable Assets</b>				
Buildings and Improvements	18,029,335.68	71,167.55	-	18,100,503.23
Transportation Equipment	1,487,356.46	171,629.00	-	1,658,985.46
Equipment	988,992.60	27,944.13	(154,000.00)	862,936.73
Total Depreciable Assets	20,505,684.74	270,740.68	(154,000.00)	20,622,425.42
Accumulated Depreciation	(4,653,183.99)	(425,481.87)	140,395.83	(4,938,270.03)
Net Depreciable Assets	15,852,500.75	(154,741.19)	(13,604.17)	15,684,155.39
Net Capital Assets	\$ 16,308,191.95	\$ (154,741.19)	\$ (13,604.17)	\$ 16,139,846.59

**C. 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 from the date of issue. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

**Bonds**

The District issued building bonds in the amount of \$415,000 on May 1, 2001. The bond maturities began May 1, 2003 with a beginning payment of \$15,000 and then increments of \$50,000 per year. These bonds were paid off this year.

The District issued building bonds in the amount of \$925,000 on June 1, 2010. The bond maturities will begin June 1, 2012 with one payment of \$925,000.

Year Ended June 30,	General Obligation Bonds		Interest	Total Requirements
	Rate	Principal		
2012	1.550%	\$ 925,000.00	\$ 14,337.50	\$ 939,337.50

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**III. Detailed Notes Concerning the Funds (continued)**

**C. Long-Term Debt (continued)**

**Capitalized Lease Obligations**

The District executed a lease to purchase equipment on April 25, 2002. The amount of the lease is \$537,034.62 with interest at 4.25%, payable in monthly installments and maturing August 25, 2012. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ 64,075.66	\$ 1,951.70	\$ 66,027.36
2013	10,946.28	58.28	11,004.56
Totals	<u>\$ 75,021.94</u>	<u>\$ 2,009.98</u>	<u>\$ 77,031.92</u>

The District executed a lease to purchase the new Upper Elementary School from the Jay Industrial Authority on September 1, 2006. The amount of the lease is \$3,660,000, payable in semi-annual rent payments of \$7,500.00, with an irregular payment being made every two years, and maturing September 1, 2014. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ -	\$ -	\$ -
2013	969,224.28	35,325.72	1,004,550.00
2014	-	-	-
2015	986,729.07	17,820.93	1,004,550.00
Totals	<u>\$ 1,955,953.35</u>	<u>\$ 53,146.65</u>	<u>\$ 2,009,100.00</u>

The District executed a lease to purchase a furniture and HVAC equipment on September 12, 2008. The amount of the lease is \$310,075.00, with interest at 4.5%, payable in annual installments and maturing April 12, 2016. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ 41,399.11	\$ 8,600.89	\$ 50,000.00
2013	43,285.57	6,714.43	50,000.00
2014	45,233.42	4,766.58	50,000.00
2015	47,268.93	2,731.07	50,000.00
2016	13,421.61	605.63	14,027.24
Totals	<u>\$ 190,608.64</u>	<u>\$ 23,418.60</u>	<u>\$ 214,027.24</u>

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**III. Detailed Notes Concerning the Funds (continued)**

**C. Long-Term Debt (continued)**

**Capitalized Lease Obligations (continued)**

The District executed a lease to purchase land on December 31, 2008. The amount of the lease is \$100,751.00, with interest at 4.0%, payable in annual installments and maturing January 15, 2014. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ 20,152.00	\$ 2,516.08	\$ 22,668.08
2013	20,953.41	1,714.67	22,668.08
2014	21,796.23	871.85	22,668.08
Totals	<u>\$ 62,901.64</u>	<u>\$ 5,102.60</u>	<u>\$ 68,004.24</u>

Aggregate future minimum lease payments on all capitalized lease obligations are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ 125,626.77	\$ 13,068.67	\$ 138,695.44
2013	1,044,409.54	43,813.10	1,088,222.64
2014	67,029.65	5,638.43	72,668.08
2015	1,033,998.00	20,552.00	1,054,550.00
2016	13,421.61	605.63	14,027.24
Totals	<u>\$ 2,284,485.57</u>	<u>\$ 83,677.83</u>	<u>\$ 2,368,163.40</u>

**D. Changes in General Long-Term Debt**

Long-term debt consists of bonds payable and capitalized lease obligations. The following is a summary of the changes in long-term debt of the District for the fiscal year.

	Balance June 30, 2010	Proceeds	Payments	Balance 6/30/2011	Due Within One Year
Bonds Payable	\$ 975,000.00	\$ -	\$ 50,000.00	\$ 925,000.00	\$ 925,000.00
Lease Obligations	3,264,561.53	-	980,075.96	2,284,485.57	125,626.77
Total	<u>\$ 4,239,561.53</u>	<u>\$ -</u>	<u>\$ 1,030,075.96</u>	<u>\$ 3,209,485.57</u>	<u>\$ 1,050,626.77</u>



**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**IV. Other Information**

**A. 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 these 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 them 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 District'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 their loss fund in three years it is returned to them with no interest.

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

**B. Contingent Liabilities**

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

**C. Non-Monetary Transactions**

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$52,809.38.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**D. Employee Retirement System and Plan**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is cost-sharing, multiple-employer defined benefit public employee retirement system (PERS) 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 System issues a publicly available financial report that includes financial statements and required supplementary information. 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 may 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. The District and State are required to contribute 11.5% of applicable compensation. Contributions received by the System from the State of Oklahoma are 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 7.05% during this year. The combined state and local rate will stabilize at 14.05%. The District is allowed by the 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 \$669,863, \$704,411.84, and \$644,082, respectively. The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**IV. Other Information (continued)**

**D. Employee Retirement System and Plan (continued)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
6/30/2000	5,373.5	10,009.2	4,635.7	53.7%	2,738.3	169.3%
6/30/2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
6/30/2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
6/30/2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
6/30/2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
6/30/2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
6/30/2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
6/30/2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
6/30/2008	9,256.8	18,346.9	9,090.1	50.5%	3,741.4	242.3%
6/30/2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
6/30/2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

Note: Dollar amounts in millions

**E. Surety Bonds**

The Superintendent is bonded by Western Surety Company, bond number 70784959, for the sum of \$100,000 for the term August 27, 2010 to August 27, 2011.

The treasurer is bonded by Western Surety Company, bond number 70565786, for the sum of \$100,000 for the term July 1, 2010 to July 1, 2011.

The encumbrance clerk is bonded by Western Surety Company, bond number 12729312, for the sum of \$5,000 for the term May 10, 2011 to May 10, 2012.

**F. Subsequent Events**

Management has evaluated subsequent events through November 11, 2011, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Jay School District No. I-1**  
**Delaware County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues Collected:					
Local Sources	\$ 1,908,947.99	\$ 1,908,947.99	\$ 2,159,745.25	\$ -	\$ 250,797.26
Intermediate Sources	329,976.22	329,976.22	373,471.06	-	43,494.84
State Sources	7,957,684.57	7,957,684.57	7,919,390.09	-	(38,294.48)
Federal Sources	2,853,374.22	2,853,374.22	2,876,848.61	-	23,474.39
Total Revenues Collected	<u>13,049,983.00</u>	<u>13,049,983.00</u>	<u>13,329,455.01</u>	<u>-</u>	<u>279,472.01</u>
Expenditures Paid:					
Instruction	8,721,367.12	7,804,959.05	7,832,992.52	(916,408.07)	(28,033.47)
Support Services	4,875,341.58	5,598,618.20	4,786,256.36	723,276.62	812,361.84
Non-Instruction Services	311,020.36	462,397.93	446,919.76	151,377.57	15,478.17
Capital Outlay	-	20,603.88	26,603.88	20,603.88	(6,000.00)
Other Outlays	1,947.37	1,947.37	81,953.00	-	(80,005.63)
Other Uses	-	21,150.00	21,150.00	21,150.00	-
Total Expenditures Paid	<u>13,909,676.43</u>	<u>13,909,676.43</u>	<u>13,195,875.52</u>	<u>-</u>	<u>713,800.91</u>
Excess (Deficit) of Revenues Collected Over (Under)					
Expenditures Paid	(859,693.43)	(859,693.43)	133,579.49	-	993,272.92
Cash Fund Balance Beginning of Year	<u>859,693.43</u>	<u>859,693.43</u>	<u>859,693.43</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 993,272.92</u>	<u>\$ -</u>	<u>\$ 993,272.92</u>

Amount reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The differences are attributable to:

Taxes Receivable	164,585.25
Due from Other Governments	<u>763,990.21</u>
Cash Fund Balance - General Fund	<u>\$ 1,921,848.38</u>

Unaudited

**Jay School District No. I-1  
Delaware County, Oklahoma  
Combined Statement of Revenues Collected, Expenditures Paid and  
Changes in Fund Balances - Budget and Actual -  
Regulatory Basis – Building Fund  
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
Revenues Collected:					
Local Sources	\$ 211,226.06	\$ 211,226.06	\$ 246,887.38	\$ -	\$ 35,661.32
State Sources	-	-	0.14	-	0.14
Federal Sources	-	-	100,000.00	-	100,000.00
Total Revenues Collected	<u>211,226.06</u>	<u>211,226.06</u>	<u>346,887.52</u>	<u>-</u>	<u>135,661.46</u>
Expenditures Paid:					
Instruction	-	-	-	-	-
Support Services	209,755.26	217,810.43	217,810.43	8,055.17	-
Capital Outlay	413,218.42	405,163.25	42,093.58	(8,055.17)	363,069.67
Other Uses	-	-	-	-	-
Total Expenditures Paid	<u>622,973.68</u>	<u>622,973.68</u>	<u>259,904.01</u>	<u>-</u>	<u>363,069.67</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(411,747.62)	(411,747.62)	86,983.51	-	498,731.13
Cash Fund Balance Beginning of Year	<u>411,747.62</u>	<u>411,747.62</u>	<u>411,747.62</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,731.13</u>	<u>\$ -</u>	<u>\$ 498,731.13</u>

Amount reported for building fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The differences are attributable to:

Property Taxes Receivable	<u>5,089.35</u>
Cash Fund Balance - Building Fund	<u>\$ 503,820.48</u>

Unaudited

**OTHER SUPPLEMENTARY INFORMATION**

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Grantor's Number</b>	<b>Approved Amount</b>	<b>Balance at July 1, 2010</b>	<b>Receipts</b>	<b>Federal Expenditures</b>	<b>Receivables / (Payables) Balance at June 30, 2011</b>
<b>U.S. Department of Education</b>							
<i>Direct Programs:</i>							
Impact Aid	84.041	591 / 592	\$ 564,346.85	\$ -	\$ 564,346.85	\$ 564,346.85	\$ -
PEP Grant	84.215.F	771	117,286.90	39,967.72	125,036.28	103,602.02	18,533.46
Gear Up	84.334	772	218,400.00	11,239.20	208,377.93	197,138.73	-
Title VII, Part A - Indian Education	84.060	561	173,986.00	-	153,089.75	173,986.00	20,896.25
<i>Passed Through State Department of Education:</i>							
Title I, Part A - Improving Basic Programs	84.010	511 / 512	613,561.10	108,553.78	388,502.66	533,750.57	253,801.69
Title I, School Improvement	84.010	515	111,900.48	16,415.52	59,456.96	58,497.73	15,456.29
Title I, ARRA	84.389	516	59,536.18	12,846.85	39,414.11	41,357.40	14,790.14
School Improvement Grant	84.377A	519	33,378.85	33,378.85	33,378.85	-	-
ARRA, Education Stabilization	84.384	782	388,250.00	-	388,250.00	388,250.00	-
Education Jobs Fund	84.410	790	330,913.00	-	280,096.97	330,913.00	50,816.03
IDEA-B	84.027	621 / 623	414,472.46	247,010.39	480,152.35	403,176.66	170,034.70
IDEA-B, ARRA	84.391	622	46,340.17	19,889.18	40,418.04	28,938.88	8,410.02
IDEA-B Preschool	84.173	641	6,486.50	7,070.20	10,754.92	3,684.72	-
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.336	541	97,983.22	21,877.07	71,373.54	98,690.70	49,194.23
Title II, Part D - Enhancing Education Through Technology, Formula	84.318X	546	1,198.03	213.09	1,603.99	1,390.90	-
Title II, Part D - Enhancing Education Through Technology, 25% Technology	84.318X	547	8,547.09	14,991.52	21,619.14	6,627.62	-
Title II, Part D - Enhancing Education Through Technology, 25% Technology	84.318X	548	399.35	1,267.23	1,267.23	-	-
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	551	8,219.10	804.00	804.00	1,569.90	1,569.90
Title VI, Subpart 2 - SRSAG	84.358A	587	45,143.45	24,901.83	24,901.83	45,143.45	45,143.45
<i>Passed Through Oklahoma Department of Vocational Education:</i>							
Rehabilitative Services	84.126	456	-	-	11,049.00	11,049.00	-
Carl Perkins Programs	84.048	421	29,895.00	33,905.00	33,905.00	29,895.00	29,895.00
<b>Total U.S. Department of Education</b>			<b>\$ 3,270,243.73</b>	<b>\$ 594,331.43</b>	<b>\$ 2,937,799.40</b>	<b>\$ 3,022,009.13</b>	<b>\$ 678,541.16</b>



**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2010</u>	<u>Receipts</u>	<u>Federal Expenditures</u>	<u>Receivables / (Payables) Balance at June 30, 2011</u>
<b>U.S. Department of Agriculture</b>							
<i>Passed Through State Department of Education:</i>							
National School Breakfast Program	10.553	385	\$ N/A	\$ -	\$ 170,495.94	\$ 170,495.94	\$ -
National School Lunch Program	10.555	385	N/A	-	493,349.94	493,349.94	-
Summer Food Service Program	10.559	385	N/A	6,709.51	6,709.51	8,051.68	8,051.68
ARRA, USDA Equipment Grant	10.579	767	-	-	-	-	-
 <i>Passed Through Department of Health &amp; Human Services</i>							
Commodities - Note B	10.550	385	N/A	-	52,809.38	52,809.38	-
 <i>Passed Through Oklahoma Health Care Authority</i>							
Medicaid Resources	93.778		\$ -	\$ -	\$ 36,726.46	\$ 36,726.46	\$ -
<b>Total U.S. Department of Agriculture</b>			<u>\$ -</u>	<u>\$ 6,709.51</u>	<u>\$ 760,091.23</u>	<u>\$ 761,433.40</u>	<u>\$ 8,051.68</u>
 <b><u>Other Federal Assistance</u></b>							
Learn and Serve	94.005	781	<u>\$ 8,100.00</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 7,942.76</u>	<u>\$ 7,942.76</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$ 3,278,343.73</u></u>	<u><u>\$ 606,040.94</u></u>	<u><u>\$ 3,702,890.63</u></u>	<u><u>\$ 3,791,385.29</u></u>	<u><u>\$ 694,535.60</u></u>

**Note A** - This schedule was prepared on the accrual basis of accounting. The information in this schedule is presented in Accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B** - Food Distribution: Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For the Year Ended June 30, 2011**

State of Oklahoma    )  
                                  )ss  
County of Craig        )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Jay Public Schools for the audit year 2010-2011.

Turner & Associates, PLC

\_\_\_\_\_  
Auditing Firm

by \_\_\_\_\_  
Authorized Agent

Subscribed and sworn to before me this 22nd day of November, 2011.

Notary Public (or Clerk or Judge)

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Jay School District.
2. Two material weaknesses relating to the audit of the basic financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Both are considered material weaknesses.
3. One instance of noncompliance material to the financial statements of Jay School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs during the audit is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
5. The auditor's report on compliance for the major federal award programs for Jay School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included: Title I - CFDA No. 84.010; Title I ARRA - CFDA 84.389; USDA National School Lunch - CFDA 10.555; USDA Breakfast - CFDA 10.553; USDA Summer Food - CFDA 10.559; Impact Aid - CFDA 84.041; Title VII, Indian Education - CFDA 84.060; PEP Grant - CFDA 84.215F; Gear Up - 84.334; ARRA Incentive Aid - CFDA No. 84.394; Education Jobs Fund - CFDA No. 84.410; IDEA B Flowthrough - CFDA No. 84.027; IDEA B Flowthrough ARRA - CFDA No. 84.391; IDEA B Preschool - CFDA No. 84.173; and IDEA B Preschool ARRA - CFDA 84.392.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Jay School District is a low-risk auditee.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2011-1 Internal Control over Financial Reporting – Preparation of Financial Statements in Accordance with GAAP**

*Criteria:*

The District's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the District's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot take responsibility for any part of management's control activities or be a component of the internal controls over financial reporting.

*Condition:*

As is the case with many smaller and medium-sized entities, the District has historically relied extensively on its independent external auditors to provide the necessary expertise to assist in the preparation of the financial statements and footnotes. However, management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting, even if the auditor assists in drafting the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on assistance from its external auditors, who cannot by definition be considered a part of the government's internal controls. This finding was also noted in 2009.

*Cause:*

District personnel do not possess formal knowledge, expertise, and education relative to preparing GAAP financial statements and related note disclosures without assistance from the external auditor or another outside source. Professional standards do not require that the management possess the expertise to prepare the financial statements and related note disclosures but to have the skills to understand them. As a result management was able to review the financial statements and related note disclosures and sufficiently understand them to take full responsibility for them as required by professional standards.

*Effect or Potential Effect:*

As a result of this condition, without assistance from its external auditors or another outside source, the District may lack the necessary internal controls over the preparation of financial statements in accordance with GAAP. This condition also places the auditor in a questionable position regarding auditor independence as a result of potentially performing part of management's functions.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

2011-1 Internal Control over Financial Reporting – Preparation of Financial Statements in Accordance with GAAP (continued)

*Recommendation:*

We recommend that the District consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise and continuing education to prepare financial statements in according to generally accepted accounting principles without assistance from the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

*Client Response:*

We concur with the recommendation for consulting with an accounting professional on significant transactions, but we feel it is cost prohibitive to have our year-end report with disclosures prepared by an accounting professional and then engage an auditor to prepare the same report with his opinions.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2011-2 Material Adjusting Journal Entries**

*Criteria:*

The District's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implantation of controls over the fair and complete presentation of the District's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

*Condition:*

The District's trial balances for the year ended June 30, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting accounts receivable/accounts payable; adjusting note activity for unrecorded debt; recording accounting activity for funds held at county; recording adjustments from the prior period; writing off outstanding checks; adjusting payroll taxes, prepaid insurance, accrued interest, interest earned, meter deposits payable, depreciation, and due from other governments. This finding was also noted in 2009.

*Cause:*

The District's accounting and financial reporting staff does not possess the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

2011-2 Material Adjusting Journal Entries (continued)

*Effect:*

As a result of this condition, without assistance from its external auditors, the District lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

*Recommendation:*

The District should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

*Client Response:*

We concur with the recommendation of employing a qualified accounting staff or outsourcing these control activities to a qualified accounting firm other than the external auditor, but we feel that it is cost prohibitive to do so.

**Jay School District No. I-1  
Delaware County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

2011-3 Pledged Collateral

*Criteria:*

Section 64, Part G of the Oklahoma state statutes require all public deposits to be secured by financial institutions.

*Condition:*

The District's cash deposit accounts were underinsured and uncollateralized by \$127,822.21.

*Cause:*

The District was not in compliance with its policy on custodial credit risk.

*Effect:*

The District is not in compliance with State statutes regarding pledged collateral and its own policy.

*Recommendation:*

The District should coordinate with its treasurer so that the bank deposits are fully covered at all times.

*Client Response:*

We concur with the recommendation and will closely monitor the accounts to insure that the bank deposits are fully covered at all times.



**Jay School District No. I-1  
Delaware County, Oklahoma  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011**

**PRIOR YEAR AUDIT FINDINGS**

No prior year findings.