

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Miami School District No. I-23  
Ottawa County, Oklahoma  
June 30, 2011**

**TURNER & ASSOCIATES, PLC  
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**Miami School District No. I-23  
Ottawa County, Oklahoma  
School District Officials  
June 30, 2011**

**Board of Education**

President	Dr. Mark Folks
Vice-President	Donni Turner
Clerk	Larry Martin
Member	Chuck Chestnut
Member	Harley Turner

**Superintendent of Schools**

Loretta Robinson

**School District Treasurer**

Wendy Skaggs

**Minute Clerk**

Martha Buttram

**Encumbrance Clerk**

Lisa Greninger

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Miami School District No. I-23  
Miami, Ottawa County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami School District No. I-23, Ottawa 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 Miami 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 Miami School District No. I-23, Ottawa 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 December 19, 2011, on our consideration of the Miami 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 40 through 41 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.

As discussed in Note IV to the financial statements, the 2010-2011 financial statements have been restated to correct misstatements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Miami 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 Miami 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  
December 19, 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  
Miami School District No. I-23  
Miami, Ottawa County, Oklahoma

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami School District No. I-23, Ottawa County, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Miami School District's basic financial statements and have issued our report thereon dated December 19, 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 Miami 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 Miami School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Miami 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, 2011-2, and 2011-3, 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 Miami 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Miami 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 Miami 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  
December 19, 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  
Miami School District No. I-23  
Miami, Ottawa County, Oklahoma

**Compliance**

We have audited Miami School District No. I-23, Ottawa 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 Miami School District No. I-23, Ottawa County, Oklahoma's major federal programs for the year ended June 30, 2011. Miami 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 Miami School District No. I-23, Ottawa 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, Miami School District No. I-23, Ottawa 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 Miami School District No. I-23, Ottawa 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 Miami School District No. I-23, Ottawa 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 Miami School District No. I-23, Ottawa 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 Miami School District No. I-23, Ottawa County, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 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 Miami 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 Miami 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  
December 19, 2011

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

Our discussion and analysis of Miami 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 \$787,760 as a result of this year's operations, compared to an increase of \$1,495,638 in the previous year.
- Governmental fund revenues were \$19,055,360, a decrease of \$1,076,045 from the previous fiscal year.
- Additions to capital assets during the year included a 2012 Blue Bird bus, two 2011 Chevy Suburbans, two Ford F series trucks, a Zero Turn mower, and a Gooseneck Trailer.

**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 Assets, Liabilities and Net Assets and Statement of Expenses, Revenues and Changes in Net Assets (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. In the case of Miami School District, the general fund, debt service fund and capital projects fund are the most significant funds.

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.

**UNAUDITED**

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Reporting the District as a Whole**

*Statement of Assets, Liabilities and Net Assets and the Statement of Expenses, Revenues and Changes in 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 Assets, Liabilities and Net Assets and the Statement of Expenses, Revenues and Changes in Net Assets 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 *regulatory 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.

**Miami School District No. I-23  
Ottawa 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.

**Miami School District No. I-23  
Ottawa 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 \$20,900,825 at June 30, 2011. Table 1 provides a summary schedule of net assets as of June 30, 2011 and June 30, 2010.

Table 1  
Net Assets

	June 30, 2011	June 30, 2010
Cash and Investments	\$ 6,005,956	\$ 5,439,005
Prepaid Expenses	-	257,902
Property Taxes, Grants, Other Receivables	2,109,749	1,677,830
Capital Assets	17,579,565	18,202,204
Total Assets	<u>25,695,270</u>	<u>25,576,942</u>
Liabilities	<u>4,794,445</u>	<u>5,463,877</u>
Invested in Capital Assets and Construction in Progress, Net of Related Debt	13,780,221	13,315,481
Restricted for Debt Service	468,042	130,323
Unrestricted Net Assets	6,616,685	6,667,260
Total Net Assets	<u>\$ 20,900,825</u>	<u>\$ 20,113,064</u>

Most of the District's net assets are invested in capital assets (buildings, land 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 787,761, or 3.8%. This increase is comprised of an increase of \$464,741 in amounts invested in capital assets, net of related debt; an increase of \$337,719 in restricted net assets; and a decrease of \$50,575 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.

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**Miami School District No. I-23**  
**Ottawa 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 two largest general revenues are the Foundation and Salary Incentive Aid provided by the State of Oklahoma and the local taxes assessed to community taxpayers.

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

Table 2  
Change in Net Assets

	June 30, 2011	June 30, 2010
Charges for Services	\$ 220,274	\$ 215,937
Operating Grants and Contributions	3,641,320	4,439,793
Property and Other Taxes	4,443,664	4,421,680
State Aid - Formula Grants	10,368,953	10,721,328
Investment Earnings	41,167	127,036
Miscellaneous	200,619	166,092
Reimbursements	139,363	39,538
Total Revenues	<u>19,055,360</u>	<u>20,131,405</u>
Instruction	10,249,286	11,262,728
Support Services	5,654,312	5,210,232
Non-Instruction Services	1,118,582	1,101,392
Capital Outlay	62,929	96,355
Other Outlays	235,127	8,568
Interest on Long-Term Debt	118,753	135,211
Unallocated Depreciation Expense	828,611	821,280
Total Expenses	<u>18,267,600</u>	<u>18,635,767</u>
Total Increase in Net Assets	<u>\$ 787,760</u>	<u>\$ 1,495,638</u>

Property and other taxes made up more than 23% of total revenues for Miami School District in fiscal year 2011 while State Aid provided over 54% of revenues.

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**Miami School District No. I-23  
Ottawa County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

## **THE DISTRICT'S FUNDS**

The District's governmental funds are accounted for using the regulatory basis of accounting. All governmental funds had total revenues of \$19,055,361. All governmental funds had expenditures of \$18,732,341 including capital outlay expenditures and lease payments. An increase of \$482,943 in the general fund balance; an increase of \$265,365 in the building fund balance; a decrease of \$425,288 in all other governmental funds resulted in the overall net increase in fund balances of \$323,020.

### **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 40-41.

In the General Fund, actual budget exceeded revenues by \$339,691. Actual expenditures were held to \$3,450,577 less than budgeted to produce a general fund carryover of \$3,110,887.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had \$40,579,418 invested in a broad range of capital assets, including land, building, buses and equipment. This amount represents an increase of \$205,972 or less than 1 % from last year.

- Additions to the capital assets during the year included a 2012 Blue Bird Bus, two 2011 Chevy Suburbans, two 2011 Ford F series trucks, a Zero Turn Mower, and a Doolittle Gooseneck trailer.

**UNAUDITED**

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Debt Administration**

At June 30, 2011, the District had \$3,745,776 in bonds and capital leases outstanding, with \$1,388,471 due within one year. Table 3 summarizes bonds and leases outstanding.

2004 Building Bonds	450,000
2010 Building Bonds	795,000
Miami Educational Facilities Authority	2,500,776
Total Bonds and Leases Outstanding	<u>\$ 3,745,776</u>

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 \$5,052,265 less \$1,245,000 bonds outstanding for a net bonding capacity of \$4,260,265.



UNAUDITED

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Management's Discussion and Analysis  
June 30, 2011**

**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.

Our Estimate of Needs for General Fund for the year ended June 30, 2012 is \$19,141,308.

If revenue estimates are realized, we expect to maintain our General Fund balance at the same level as we ended the current fiscal year.

**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 Miami School District, P.O. Box 1060, Miami, OK 74354.

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2011**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 6,005,955.97
Taxes Receivable	268,345.59
Due from Other Governments	1,841,403.21
Total Current Assets	<u>8,115,704.77</u>

## Noncurrent Assets:

Capital Assets, net of accumulated depreciation	16,288,587.05
Capital Assets, non depreciable	1,290,978.20
Total Noncurrent Assets	<u>17,579,565.25</u>
<b>TOTAL ASSETS</b>	<u><u>25,695,270.02</u></u>

**LIABILITIES**

## Current Liabilities:

Accrued Payables	53,567.36
Deferred Revenue	6,623.07
Accounts Payable	988,478.01
Current Portion of Capitalized Lease Obligations	843,470.77
Current Portion of Bonds Payable	545,000.00
Total Current Liabilities	<u>2,437,139.21</u>

## Noncurrent Liabilities

Capitalized Lease Obligations	1,657,305.63
Bonds Payable	700,000.00
Total Noncurrent Liabilities	<u>2,357,305.63</u>
<b>TOTAL LIABILITIES</b>	<u><u>4,794,444.84</u></u>

**NET ASSETS**

Invested in Capital Assets and Construction in Progress, Net of Related Debt	13,780,221.49
Restricted for Debt Service	468,042.33
Unrestricted	6,652,561.36
<b>TOTAL NET ASSETS</b>	<u><u>\$ 20,900,825.18</u></u>

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

**Miami School District No. I-23**  
**Ottawa 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	\$ 10,249,286.02	\$ 1,345.00	\$ 2,800,183.35	\$ -	\$ (7,447,757.67)
Support Services					
Students	857,418.70	-	-	-	(857,418.70)
Instructional Staff	653,830.05	-	-	-	(653,830.05)
General Administration	565,763.65	-	-	-	(565,763.65)
School Administration	1,024,781.45	-	-	-	(1,024,781.45)
Business	154,067.08	-	-	-	(154,067.08)
Operation and Maintenance of Plant	2,006,446.26	-	-	-	(2,006,446.26)
Student Transportation	392,004.31	-	-	-	(392,004.31)
Non-Instruction Services					
Child Nutrition Programs	1,118,582.44	218,928.98	841,136.70	-	(58,516.76)
Capital Outlay	62,929.00	-	-	-	(62,929.00)
Other Outlays	235,127.09	-	-	-	(235,127.09)
Interest on Long-Term Debt	118,752.68	-	-	-	(118,752.68)
Unallocated Depreciation Expense	828,610.94	-	-	-	(828,610.94)
<b>Total Governmental Activities</b>	<u>\$ 18,267,599.67</u>	<u>\$ 220,273.98</u>	<u>\$ 3,641,320.05</u>	<u>\$ -</u>	<u>(14,406,005.64)</u>
<b>General Revenues:</b>					
Taxes					
Property Taxes					3,009,586.50
Other Taxes					1,434,078.32
State Aid - Formula Grants					10,368,952.74
Investment Earnings					41,166.95
Miscellaneous					200,619.26
Reimbursements					139,362.74
<b>Total General Revenues</b>					<u>15,193,766.51</u>
<b>Change in Net Assets</b>					787,760.87
<b>Net Assets, Beginning</b>					<u>20,113,064.31</u>
<b>Net Assets, Ending</b>					<u>\$ 20,900,825.18</u>

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

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

		Special Revenue Funds		
	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,071,871.64	\$ 1,101,046.91	\$ 833,037.42	\$ 6,005,955.97
Taxes Receivable	219,744.84	20,403.62	28,197.13	268,345.59
Due from Other Governments	1,841,403.21	-	-	1,841,403.21
<b>Total Assets</b>	<u>\$ 6,133,019.69</u>	<u>\$ 1,121,450.53</u>	<u>\$ 861,234.55</u>	<u>\$ 8,115,704.77</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Deferred Revenue	\$ 6,623.07	\$ -	\$ -	\$ 6,623.07
Accounts Payable	935,415.24	-	53,062.77	988,478.01
<b>Total Liabilities</b>	<u>942,038.31</u>	<u>-</u>	<u>53,062.77</u>	<u>995,101.08</u>
<b>Fund Equity:</b>				
Cash Fund Balance, Unassigned	5,190,981.38	-	-	5,190,981.38
Cash Fund Balance, Restricted	-	1,121,450.53	808,171.78	1,929,622.31
<b>Total Fund Equity</b>	<u>5,190,981.38</u>	<u>1,121,450.53</u>	<u>808,171.78</u>	<u>7,120,603.69</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 6,133,019.69</u>	<u>\$ 1,121,450.53</u>	<u>\$ 861,234.55</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 \$40,579,418.21 and the accumulated depreciation is \$22,999,852.96 for a net book value of \$17,579,565.25

17,579,565.25

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 Payables	(53,567.36)
General Obligation Bonds Payable	(1,245,000.00)
Capitalized Lease Obligations Payable	<u>(2,500,776.40)</u>
Net Assets of Governmental Activities	<u>\$ 20,900,825.18</u>

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

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

		Special Revenue Funds		
	General	Building	Other	Total
	Fund	Fund	Governmental	Governmental
			Funds	Funds
Revenues:				
Local Sources	\$ 2,127,365.10	\$ 266,387.59	\$ 859,894.82	\$ 3,253,647.51
Intermediate Sources	295,955.53	-	-	295,955.53
State Sources	11,667,768.16	-	78,750.35	11,746,518.51
Federal Sources	2,800,183.35	-	841,136.70	3,641,320.05
Return of Assets	114,786.01	-	3,132.93	117,918.94
Total Revenues	<u>17,006,058.15</u>	<u>266,387.59</u>	<u>1,782,914.80</u>	<u>19,055,360.54</u>
Expenditures:				
Instruction	10,249,286.02	-	-	10,249,286.02
Support Services	5,860,283.50	-	-	5,860,283.50
Non-Instruction Services	-	-	1,118,582.44	1,118,582.44
Capital Outlay	187,929.00	-	783,300.00	971,229.00
Other Outlays	225,616.15	1,022.84	8,488.10	235,127.09
Bond Payments	-	-	250,000.00	250,000.00
Interest	-	-	47,832.50	47,832.50
Total Expenditures	<u>16,523,114.67</u>	<u>1,022.84</u>	<u>2,208,203.04</u>	<u>18,732,340.55</u>
Excess (Deficit) of Revenues				
Over (Under) Expenditures	482,943.48	265,364.75	(425,288.24)	323,019.99
Cash Fund Balance				
Beginning of Year	<u>4,708,037.90</u>	<u>856,085.78</u>	<u>1,233,460.02</u>	<u>6,797,583.70</u>
Cash Fund Balance				
End of Year	<u>\$ 5,190,981.38</u>	<u>\$ 1,121,450.53</u>	<u>\$ 808,171.78</u>	<u>\$ 7,120,603.69</u>

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

**Miami School District No. I-23**  
**Ottawa 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	\$	323,019.99
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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	\$	205,972.00	
Depreciation expense		(828,610.94)	(622,638.94)

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.

Changes in Accrued Interest and Rent Payable	\$	48,156.22	
Principal payments on capital lease obligations		789,223.60	837,379.82

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 liability activity during the year consist of

General Obligation Bond Payments		250,000.00
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Change in Net Assets of Governmental Activities	\$	787,760.87
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Statement of Assets, Liabilities and Fund Equity**  
**Fiduciary Funds**  
**June 30, 2011**

**ASSETS**

## Cash and Cash Equivalents:

High School Accounts	\$ 98,722.50
Middle School Accounts	23,974.11
Elementary Accounts	39,138.59
Cafeteria Account	303.04
<b>TOTAL ASSETS</b>	<b>\$ 162,138.24</b>

**LIABILITIES**

## Due to Students:

High School Accounts	\$ 98,722.50
Middle School Accounts	23,974.11
Elementary Accounts	39,138.59
Cafeteria Account	303.04
<b>TOTAL LIABILITIES</b>	<b>\$ 162,138.24</b>

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



**Miami School District No. I-23**  
**Ottawa 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	Disbursements	Balance June 30, 2011
Academic Quiz Bowl	\$ -	\$ 253.00	\$ 245.00	\$ 8.00
Annual	13,310.53	9,849.07	19,518.51	3,641.09
Art	470.00	2,088.50	2,296.68	261.82
Athletics	13,685.65	96,352.67	76,485.85	33,552.47
Band	2,403.06	35,391.92	35,626.11	2,168.87
Cheer Booster	5,751.57	20,528.27	19,134.80	7,145.04
Chorus	391.88	2,334.60	2,480.61	245.87
Faculty	328.96	780.00	1,010.84	98.12
FFA	407.17	21,842.75	21,746.02	503.90
FCCLA	655.87	3,490.00	3,266.29	879.58
Foreign Language	43.90	439.25	483.15	-
Industrial Arts	3,754.83	1,624.50	2,227.21	3,152.12
Interest	1,306.69	358.39	188.48	1,476.60
Library	216.22	372.40	229.80	358.82
Math Club	141.66	776.50	829.84	88.32
Dance Team	1,583.27	11,376.27	11,982.33	977.21
NHS	1,941.20	2,317.00	2,522.48	1,735.72
SADD	103.71	-	63.48	40.23
School Nurse	585.22	-	-	585.22
Science Club	514.67	-	49.00	465.67
Speech	70.07	100.00	40.00	130.07
Student	979.30	29,907.79	30,328.22	558.87
Student Council	451.77	3,066.00	2,157.30	1,360.47
Wardog Booster	28,105.50	82,494.87	84,736.20	25,864.17
Native American Club	1,759.19	-	61.51	1,697.68
OCEA	487.24	-	-	487.24
MHS Newspaper	54.00	-	-	54.00
FCA	93.74	100.00	116.80	76.94
Key Club	2,614.12	6,444.20	8,112.86	945.46
Leadership	85.00	-	-	85.00
Speech Promotions	5,915.69	3,800.00	5,989.15	3,726.54
Subtotals - to page 22	<u>\$ 88,211.68</u>	<u>\$ 336,087.95</u>	<u>\$ 331,928.52</u>	<u>\$ 92,371.11</u>

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

(continued)

**Miami School District No. I-23**  
**Ottawa County, Oklahoma**  
**Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

<u>ACTIVITIES</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Subtotals - from page 21	\$ 88,211.68	\$ 336,087.95	\$ 331,928.52	\$ 92,371.11
Special Edition Wardogs	155.00	100.00	216.00	39.00
Class of 2010	2,171.71	-	2,171.71	-
Class of 2011	3.37	5,440.46	3,421.65	2,022.18
Class of 2012	-	9,066.00	4,995.12	4,070.88
Swim Team	130.95	1,256.00	1,344.62	42.33
Class of 2014	-	500.00	323.00	177.00
MS Memory Book	478.66	20.00	474.00	24.66
MS Athletics	3,358.80	4,504.00	4,994.98	2,867.82
MS Band	268.59	23,206.50	23,007.26	467.83
MS Spirit Club	1,960.03	3,409.31	3,146.18	2,223.16
MS Chorus	1,200.51	6,780.15	7,186.51	794.15
MS Faculty	14.84	-	-	14.84
MS FCS	34.30	-	-	34.30
MS FACS	716.35	13,069.95	10,733.87	3,052.43
MS Interest	365.84	63.52	-	429.36
MS Library	666.23	885.68	348.77	1,203.14
MS NHS	3,565.84	3,569.50	3,559.60	3,575.74
MS Student	171.23	6,397.31	4,444.01	2,124.53
MS Student Council	3,082.26	2,833.80	1,692.48	4,223.58
MS TSA	493.63	685.20	895.79	283.04
MS XAM Math	31.67	-	-	31.67
MS Academic Quiz Bowl	598.20	350.00	452.00	496.20
7th & 8th Girls Athletics	2.05	-	-	2.05
MS Art Club	277.86	710.00	638.89	348.97
MS Dance Team	116.04	5,536.00	4,515.32	1,136.72
Band Booster	289.23	-	225.76	63.47
6th Grade Team	1,167.24	-	1,167.24	-
PBIS	76.45	500.00	-	576.45
Elementary Interest	2,441.24	1,106.68	1,027.60	2,520.32
Nichols	517.57	4,572.57	2,930.24	2,159.90
Rockdale	9,372.29	10,215.33	7,770.88	11,816.74
Roosevelt	11,959.67	17,253.14	21,179.23	8,033.58
Washington	5,501.14	13,910.84	13,220.97	6,191.01
Wilson	4,402.98	20,690.66	21,092.51	4,001.13
Ottawa County Academy	288.92	1,603.47	1,626.12	266.27
Subtotals - to page 23	<u>\$ 144,092.37</u>	<u>\$ 494,324.02</u>	<u>\$ 480,730.83</u>	<u>\$ 157,685.56</u>

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

(continued)

**Miami School District No. I-23**  
**Ottawa 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	Adjustments	Disbursements	Balance June 30, 2011
Subtotals - from page 22	\$ 144,092.37	\$ 494,324.02	\$ -	\$ 480,730.83	\$ 157,685.56
Child Nutrition	-	158.00	-	-	158.00
C.O./Bus Barn	3,456.23	1,311.50	-	776.09	3,991.64
Cafeteria Fund	0.33	219,374.83	-	219,072.12	303.04
<b>ASSETS</b>					
Cash	<u>\$ 147,548.93</u>	<u>\$ 715,168.35</u>	<u>-</u>	<u>\$ 700,579.04</u>	<u>\$ 162,138.24</u>
<b>LIABILITIES</b>					
Due to Students	<u>\$ 147,548.93</u>	<u>\$ 715,168.35</u>	<u>-</u>	<u>\$ 700,579.04</u>	<u>\$ 162,138.24</u>

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

**Miami School District No. I-23  
Ottawa 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. The District prepared its financial statements in accordance with a regulatory basis of accounting in prior years. This change will affect comparability with reports issued in prior years.

**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.

**Miami School District No. I-23  
Ottawa 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.

**Miami School District No. I-23  
Ottawa 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 Fund - The Capital Projects fund consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and the acquisition of transportation equipment.

**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.



**Miami School District No. I-23  
Ottawa County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**1. District-Wide Financial Statements (continued)**

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.

**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

The District reports the following non-major governmental funds in aggregate:

Child Nutrition Fund  
Debt Service Fund  
Capital Projects 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.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**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.

**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.

**Miami School District No. I-23  
Ottawa 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)**

**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).

**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

**Miami School District No. I-23  
Ottawa 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)**

**9. Property Taxes and Other Local Revenues (continued)**

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.

**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.

**Miami School District No. I-23  
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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**

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 places on the use of resources for specific purposed 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).

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.

**Miami School District No. I-23  
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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)**

**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.

**II. Stewardship, Compliance and Accountability (continued)**

**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 none 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.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**A. Custodial Credit Risk (continued)**

The District also has funds invested in the Oklahoma Liquid Asset Pool. OLAP is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; and repurchase agreements, provided that underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that OLAP's custodian takes delivery of the collateral either directly or through an authorized custodian.

**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	\$ 1,290,978.20	\$ -	\$ -	\$ 1,290,978.20
Construction in Progress	-	-	-	-
Total	<u>1,290,978.20</u>	<u>-</u>	<u>-</u>	<u>1,290,978.20</u>
<b>Depreciable Assets</b>				
Buildings and Improvements	37,534,629.01	-	-	37,534,629.01
Transportation Equipment	1,466,625.00	196,773.00	-	1,663,398.00
Equipment	81,214.00	9,199.00	-	90,413.00
Total Depreciable Assets	39,082,468.01	205,972.00	-	39,288,440.01
Accumulated Depreciation	(22,171,242.02)	(828,610.94)	-	(22,999,852.96)
Net Depreciable Assets	<u>16,911,225.99</u>	<u>(622,638.94)</u>	<u>-</u>	<u>16,288,587.05</u>
Net Capital Assets	<u>\$ 18,202,204.19</u>	<u>\$ (622,638.94)</u>	<u>\$ -</u>	<u>\$ 17,579,565.25</u>

**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.

The District issued building bonds in the amount of \$500,000 on May 1, 2001. The bond maturities began May 1, 2003 in increments of \$50,000 per year with a final payment of \$100,000 on May 1, 2011. These bonds were paid off during the current year.

**Miami School District No. I-23  
Ottawa 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)**

The District issued building bonds in the amount of \$1,300,000 on July 1, 2004. The bond maturities begin July 1, 2007 with the first payment in the amount of \$100,000 and increments of \$150,000 per year with a final payment of \$150,000 on July 1, 2014.

Debt service requirements for the 2004 building bonds are as follows:

Year Ended June 30,	General Obligation Bonds		Interest	Total Requirements
	Rate	Principal		
2012	3.700%	\$ 150,000.00	\$ 17,325.00	\$ 167,325.00
2013	3.850%	150,000.00	11,775.00	161,775.00
2014	4.000%	150,000.00	6,000.00	156,000.00
Totals		<u>\$ 450,000.00</u>	<u>\$ 35,100.00</u>	<u>\$ 485,100.00</u>

The District issued building bonds in the amount of \$795,000 on January 1, 2010. The bond maturities begin January 1, 2012 with the first payment in the amount of \$395,000 and a second payment of \$400,000 due 1 January 2013.

Debt service requirements for the 2010 building bonds are as follows:

Year Ended June 30,	General Obligation Bonds		Interest	Total Requirements
	Rate	Principal		
2012	1.900%	\$ 395,000.00	\$ 7,002.50	\$ 402,002.50
2013	1.625%	400,000.00	6,500.00	406,500.00
Totals		<u>\$ 795,000.00</u>	<u>\$ 13,502.50</u>	<u>\$ 808,502.50</u>

Debt service requirements for all bonds are as follows:

Year Ended June 30,	General Obligation Bonds		Interest	Total Requirements
	Rate	Principal		
2012	Various	\$ 545,000.00	\$ 24,327.50	\$ 569,327.50
2013	Various	550,000.00	18,275.00	568,275.00
2014	Various	150,000.00	6,000.00	156,000.00
Totals		<u>\$ 1,245,000.00</u>	<u>\$ 48,602.50</u>	<u>\$ 1,293,602.50</u>



**Miami School District No. I-23  
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Notes to the Financial Statements  
For the Year Ended June 30, 2011**

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

**D. Leases**

The District executed a lease to purchase equipment on December 11, 2000. The amount of the lease is \$1,000,000.00 with a stated interest rate of 2.65% and an effective interest rate of 4.519%, payable in annual installments and maturing in April of 2011. This lease was paid off during the current year

The District executed a lease to purchase the new Activity Center from the Miami Educational Facilities Authority on May 1, 2008. The amount of the lease is \$3,381,600, payable in semi-annual rent payments of \$1,500, with an irregular payment being made every two years, and maturing September 1, 2013. Future payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2012	\$ 843,470.77	\$ 62,079.23	\$ 905,550.00
2013	1,657,305.63	20,444.37	1,677,750.00
Totals	<u>\$ 2,500,776.40</u>	<u>\$ 82,523.60</u>	<u>\$ 2,583,300.00</u>

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

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

	Balance June 30, 2010	Proceeds	Payments	Balance June 30, 2011	Due Within One Year
Bonds Payable	\$ 1,495,000.00	\$ -	\$ 250,000.00	\$ 1,245,000.00	\$ 545,000.00
Lease Obligations	3,290,000.00	-	789,223.60	2,500,776.40	843,470.77
Total	<u>\$ 4,785,000.00</u>	<u>\$ -</u>	<u>\$ 1,039,223.60</u>	<u>\$ 3,745,776.40</u>	<u>\$ 1,388,470.77</u>

**Miami School District No. I-23  
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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 CompSource Oklahoma, an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, CompSource 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 CompSource, the District is required to pay fees set by CompSource 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. CompSource 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.

**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.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**IV. Other Information (continued)**

**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 \$51,160.20.

**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 from 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.

**Miami School District No. I-23  
Ottawa 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)**

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009 were \$936,358.60, \$973,233, and \$722,769, respectively.

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 Travelers Casualty and Surety Company, bond number 105309821, for the sum of \$100,000 for the term July 1, 2010 to July 1, 2011.

The Treasurer/Payroll Clerk is bonded by Travelers Casualty and Surety Company, bond number 15306315, for the sum of \$500,000 for the term June 30, 2010 to June 30, 2011.

The Encumbrance Clerk is bonded by Travelers Casualty and Surety Company, bond number 101155955, for the sum of \$2,000 for the term July 1, 2010 to July 1, 2011.

**Miami School District No. I-23  
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Notes to the Financial Statements  
For the Year Ended June 30, 2011**

**IV. Other Information (continued)**

**F. Subsequent Event**

Management has evaluated subsequent events through December 19, 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.

**G. Correction of an Error**

During the current year, it was determined that the beginning fund balance of the General Fund of \$4,706,024.72 was overstated by \$23,556.48 due to prior year receivables for Title 6, \$1,015.64, and ARRA IDEA B Preschool, \$1,268.05, being understated due to having claims made after June 30 for the 2009-2010 year not paid until after July 1, 2010. Also, Johnson O'Malley was understated by \$21,272.79 due to back years being paid after July 1, 2010. Prior year reserves were overstated in the amount of \$25,569.66 as the closing of the accounts did not occur until after year end due to a software issue. The General Fund Balance has been increased to \$4,708,037.90, a net increase of \$2,013.18. Prior year reserves in the Child Nutrition Fund were overstated in the amount of \$10,306.96 as the closing of the accounts did not occur until after year end due to a software issue. The Child Nutrition Fund Balance at the beginning of the year of \$294,172.21 has been increased to \$304,479.17. Finally, the government wide financial statements of \$20,100,744.17 were understated due to the above referenced amounts. Due to this the beginning net assets have been increased to \$20,113,064.31, or a net increase of \$12,320.14.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Miami School District No. I-23**  
**Ottawa 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	\$ 1,811,243.97	\$ 1,811,243.97	\$ 2,358,549.85	\$ -	\$ 547,305.88
Intermediate Sources	238,426.24	238,426.24	295,955.53	-	57,529.29
State Sources	11,587,412.10	11,587,412.10	11,571,522.32	-	(15,889.78)
Federal Sources	3,237,968.78	3,237,968.78	2,309,332.86	-	(928,635.92)
Total Revenues Collected	<u>16,875,051.09</u>	<u>16,875,051.09</u>	<u>16,535,360.56</u>	<u>-</u>	<u>(339,690.53)</u>
Expenditures Paid:					
Instruction	10,800,000.00	10,831,519.40	10,249,286.02	31,519.40	582,233.38
Support Services	5,590,000.00	5,943,701.99	5,743,975.50	353,701.99	199,726.49
Non-Instruction Services	10,000.00	10,000.00	-	-	10,000.00
Capital Outlay	275,000.00	387,929.00	187,929.00	112,929.00	200,000.00
Other Outlays	130,000.00	213,722.05	83,948.65	83,722.05	129,773.40
Other Uses	2,910,789.93	2,328,917.49	73.49	(581,872.44)	2,328,844.00
Total Expenditures Paid	<u>19,715,789.93</u>	<u>19,715,789.93</u>	<u>16,265,212.66</u>	<u>-</u>	<u>3,450,577.27</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(2,840,738.84)	(2,840,738.84)	270,147.90	-	3,110,886.74
Cash Fund Balance Beginning of Year	<u>2,840,738.84</u>	<u>2,840,738.84</u>	<u>2,840,738.84</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,110,886.74</u>	<u>\$ -</u>	<u>\$ 3,110,886.74</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:

Prior Period Adjustment - Reserves	25,569.66
Deferred Revenue	(6,623.07)
Taxes Receivable	219,744.84
Due from Other Governments	<u>1,841,403.21</u>
Cash Fund Balance - General Fund	<u>\$ 5,190,981.38</u>

Unaudited

**Miami School District No. I-23**  
**Ottawa 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	\$ 250,686.27	\$ 250,686.27	\$ 282,618.62	\$ -	\$ 31,932.35
Total Revenues Collected	<u>250,686.27</u>	<u>250,686.27</u>	<u>282,618.62</u>	<u>-</u>	<u>31,932.35</u>
Expenditures Paid:					
Support Services	240,000.00	240,000.00	-	-	240,000.00
Capital Outlay	829,114.56	829,114.56	-	-	829,114.56
Other Uses	1,022.84	1,022.84	1,022.84	-	-
Total Expenditures Paid	<u>1,070,137.40</u>	<u>1,070,137.40</u>	<u>1,022.84</u>	<u>-</u>	<u>1,069,114.56</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(819,451.13)	(819,451.13)	281,595.78	-	1,101,046.91
Cash Fund Balance Beginning of Year	<u>819,451.13</u>	<u>819,451.13</u>	<u>819,451.13</u>	<u>-</u>	<u>-</u>
Cash Fund Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,046.91</u>	<u>\$ -</u>	<u>\$ 1,101,046.91</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>20,403.62</u>
Cash Fund Balance - Building Fund	<u>\$ 1,121,450.53</u>

Unaudited



**OTHER SUPPLEMENTARY INFORMATION**

**Miami School District No. I-23  
Ottawa 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>							
Learn and Serve America	94.005	781	\$ -	\$ (148.80)	\$ -	\$ 148.80	\$ -
Impact Aid	84.041	591	-	-	6,623.07	-	(6,623.07)
FEMA	84.041	594	-	-	-	3,999.89	3,999.89
Title VII, Part A - Indian Education	84.060	561	193,201.00	124,687.15	124,687.15	193,188.00	193,188.00
<i>Passed Through State Department of Education:</i>							
Title I, Part A - Improving Basic Programs	84.010	511	726,126.74	391,100.97	589,280.58	687,032.62	488,853.01
Title I, Part D - Neglected and Delinquent	84.013	532	91,740.23	43,400.55	59,896.88	65,994.05	49,497.72
ARRA Education Stabilization	84.394	782	554,773.00	-	554,776.00	554,776.00	-
ARRA Eucation Jobs Fund	84.410	790	468,984.25	-	-	468,984.25	468,984.25
ARRA, Title I, Part A	84.389	51	38,762.43	18,185.00	35,359.62	37,786.34	20,611.72
IDEA-B	84.027	621 / 623	869,644.14	320,469.28	445,657.47	481,279.46	356,091.27
IDEA-B, ARRA	84.391	622	142,891.50	142,891.50	142,891.50	41,850.00	41,850.00
IDEA-B Preschool	84.173	641	8,821.17	5,840.71	5,840.71	7,942.80	7,942.80
IDEA-B, Preschool ARRA	84.392	643	7,809.05	7,809.05	7,809.05	976.10	976.10
State Personnel Development Grant	84.323A	650	-	-	-	5,030.55	5,030.55
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.336	541	193,543.41	65,006.76	124,742.21	118,653.34	58,917.89
Title II, Part D - Enhancing Education Through Technology, Formula	84.318X	546	1,792.06	3,758.61	3,758.61	1,306.90	1,306.90
Title II, Part D - Enhancing Education Through Technology, 25% Technology	84.318X	548	532.63	881.01	881.01	-	-
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	551	66.87	12,734.73	12,734.73	-	-
Title VI, Subpart 2 - SRSAG	84.358A	588	80,267.23	\$ 64,892.32	\$ 101,270.66	\$ 36,378.34	\$ -
<i>Passed Through Oklahoma Department of Vocational Education:</i>							
Carl Perkins Programs	84.048	421	\$ 34,806.00	\$ 4,865.69	\$ 4,865.69	\$ -	\$ -
<b>Total U.S. Department of Education</b>			<b>\$ 3,413,761.71</b>	<b>\$ 1,206,374.53</b>	<b>\$ 2,221,074.94</b>	<b>\$ 2,705,327.44</b>	<b>\$ 1,690,627.03</b>

**Miami School District No. I-23  
Ottawa 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 Agriculture</b>							
<i>Passed Through State Department of Education:</i>							
National School Breakfast Program	10.553	385	\$ N/A	\$ -	\$ 220,646.04	\$ 220,646.04	\$ -
National School Lunch Program	10.555	385	N/A	-	620,490.66	620,490.66	-
 <i>Passed Through Department of Health &amp; Human Services</i>							
Commodities - Note B	10.550	385	N/A	-	51,160.20	51,160.20	-
 <i>Passed Through Oklahoma Health Care Authority</i>							
Rehabilitative Services	94.005		\$ 3,516.25	\$ -	\$ 3,516.25	\$ 4,491.19	\$ 974.94
Medicaid Resources	93.778		22,412.68	22,412.68	22,412.68	-	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 25,928.93</b>	<b>\$ 22,412.68</b>	<b>\$ 918,225.83</b>	<b>\$ 896,788.09</b>	<b>\$ 974.94</b>
 <b><u>Other Federal Assistance</u></b>							
Johnson O'Malley Program	15.130	563	\$ 138,953.34	\$ 44,759.80	\$ 69,833.07	\$ 50,754.79	\$ 25,681.52
Total Other Federal			\$ 138,953.34	\$ 44,759.80	\$ 69,833.07	\$ 50,754.79	\$ 25,681.52
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 3,578,643.98</b>	<b>\$ 1,273,547.01</b>	<b>\$ 3,209,133.84</b>	<b>\$ 3,652,870.32</b>	<b>\$ 1,717,283.49</b>

**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.

**Miami School District No. I-23  
Ottawa 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 Miami Public Schools for the audit year 2010-2011.

Turner & Associates, PLC

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

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

Subscribed and sworn to before me this 19<sup>th</sup> day of December, 2011.

Notary Public (or Clerk or Judge)

**Miami School District No. I-23  
Ottawa 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 Miami School District.
2. Three 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*. All are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Miami 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 are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and 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 Miami 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; ARRA Incentive Aid – CFDA 10.394; ARRA Education Jobs Fund – CFDA No. 84.410; IDEA B Flowthrough – CFDA No. 84.027; IDEA B ARRA – CFDA No. 84.391; IDEA B Preschool – CFDA No. 84.173; IDEA B Preschool ARRA – CFDA No. 84.392.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Miami School District is a low-risk auditee.

**Miami School District No. I-23  
Ottawa 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.

**Miami School District No. I-23  
Ottawa 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 (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 accordance 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 audit's recommendation for sufficient internal controls over the financial reporting, however, we feel it is cost prohibitive to employ a qualified accounting staff or outsource the control of these activities at this time. We will continue to engage our staff in continuing education for the necessary knowledge to prepare the annual financial statement.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

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

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.



**Miami School District No. I-23  
Ottawa County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

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

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 audit's recommendation, however, we feel it is cost prohibitive at this time to employ a qualified accounting staff or outsource the control of these activities. We will continue to engage our staff in continuing education for the necessary knowledge to prepare the annual financial statement.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

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

2011-3 Fraud in the Activity Fund

*Criteria:*

*Governmental Auditing Standards* require auditors to report Fraud, Illegal Acts Violations of Provisions of Contract or Grant Agreements, or Abuse and Title 7, section 87, part A regarding daily deposits of funds

*Condition:*

Cash received for the Memory Book, Band, Student and Student Council, at the Will Rogers Middle School (WRMS) was not deposited in the appropriate activity fund account. In addition, deposits to the bank were not made when balances reached \$100 as per state statutes.

*Cause:*

Fraud was committed by an employee.

*Effect:*

Of the four accounts we were asked to perform extended auditing procedures on for the WRMS, all four showed fraudulent activities of approximately \$11,802.

*Recommendation:*

Internal controls should be in place to ensure cash receipts are safeguarded and deposited on a daily basis.

*Client Response:*

Additional internal controls have been put in place to provide accountability for ensuring cash receipts are safeguarded and deposited on a daily basis.

**Miami School District No. I-23  
Ottawa County, Oklahoma  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**PRIOR AUDIT FINDINGS**

2010-5 Title VII, Indian Education

*Condition:*

This finding was a significant deficiency stating that the Title VII, Indian Education program had \$124,687.15 which had not been drawn down as of December 2, 2011 when it was discovered during audit fieldwork.

*Recommendation:*

The auditor recommended the District should ensure that all claim forms for expenditures are submitted in a timely manner. In addition the Federal Program coordinator should communicate with the Treasurer in order to ensure amounts claimed have been received.

*Current Status:*

The recommendation was adopted in July 2010 and a system to ensure that all claims for expenditures are submitted and received is in place. The amount not claimed has been returned to the District. No similar findings were noted in the 2010-2011 audit.

2010-6 Preparation of the Schedule of Expenditures of Federal Awards

*Condition:*

This finding was a significant deficiency stating that the Schedule of Expenditures of Federal Awards was completed by District personnel; however material adjustments were required to prior year entries. During audit fieldwork the receipts, expenditures, and accounts receivable amounts needed adjustments as the amounts were not accurately shown as per the revenue received and claim forms.

*Recommendation:*

The auditor recommended the District should consider attending workshops or obtaining training on the completion of the Schedule of Expenditures of Federal Awards.

*Current Status:*

The recommendation was adopted in July 2010. No similar findings were noted in the 2010-2011 audit.