

**ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA**

Financial Statements
June 30, 2011

With Independent Auditors' Report Thereon

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
June 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
June 30, 2011

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**ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
School District Officials
June 30, 2011**

Board of Education

President	Betty Hilton
Vice-President	Dr. Todd Boone
Clerk	Karen Hudson
Member	Doug Haney
Member	Charles D. Mayhue

School District Treasurer/Minute Clerk

Kelley Howry

Superintendent of Schools

Mr. Pat Harrison

JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.
Allen Bryant, Jr., C.P.A.

P.O. Box 1564
Ada, Oklahoma 74821-1564
(580) 332-5549

MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Ada Independent School District I-19
Ada, Pontotoc County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Ada Independent School District No. I-19, Pontotoc County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Ada Independent School District, No. I-19, Pontotoc County, Oklahoma. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amounts that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

Ada Independent School District I-19
Pontotoc County, Oklahoma

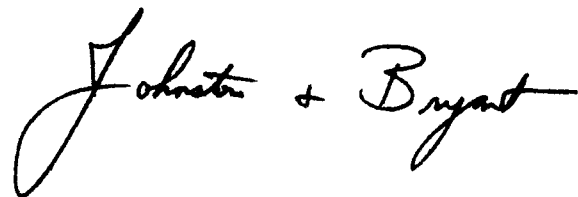
In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ada Independent School District, No. I-19, Pontotoc County, Oklahoma, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, the liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Ada Independent School District No. I-19, Pontotoc County, Oklahoma, as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2011, on our consideration of the Ada Independent 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.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards, the combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

August 10, 2011

A handwritten signature in cursive script, appearing to read "John + Bryan". The signature is written in black ink and is positioned to the right of the date.

COMBINED FINANCIAL STATEMENTS

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
 Combined Statement of Assets, Liabilities and Fund Balance – Regulatory Basis
 All Fund Types and Account Group
 June 30, 2011

	Governmental Fund Types			
	General	Co-Op	Special Revenue	Capital Projects
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,343,107	\$ -	\$ 2,678,947	\$ 1,454,812
Amounts Available In Debt Services Fund	-	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-
TOTAL ASSETS	<u>\$ 4,343,107</u>	<u>\$ -</u>	<u>\$ 2,678,947</u>	<u>\$ 1,454,812</u>
<u>LIABILITIES AND FUND EQUITY:</u>				
<u>LIABILITIES:</u>				
Warrants Payable	\$ 518,502	\$ -	\$ 38,059	\$ 13,790
Encumbrances	-	-	-	-
Long-Term Debt Bonds Payable	-	-	-	-
TOTAL LIABILITIES	<u>518,502</u>	<u>-</u>	<u>38,059</u>	<u>13,790</u>
<u>FUND BALANCE:</u>				
Designated	-	-	-	1,441,022
Undesignated	3,824,605	-	2,640,888	-
TOTAL FUND BALANCE	<u>3,824,605</u>	<u>-</u>	<u>2,640,888</u>	<u>1,441,022</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,343,107</u>	<u>\$ -</u>	<u>\$ 2,678,947</u>	<u>\$ 1,454,812</u>

The accompanying notes are an integral part of this statement.

<u>Debt Service</u>	<u>Fiduciary Fund Types Trust and Agency</u>	<u>Account Group Long-Term Debt</u>	<u>Totals (Memorandum Only)</u>
\$ 799,711	\$ 313,707	\$ -	\$ 9,590,284
-	-	799,711	799,711
-	-	5,720,289	5,720,289
<u>\$ 799,711</u>	<u>\$ 313,707</u>	<u>\$ 6,520,000</u>	<u>\$ 16,110,284</u>
\$ -	\$ -	\$ -	\$ 570,351
-	-	-	-
-	-	6,520,000	6,520,000
-	-	6,520,000	7,090,351
799,711	-	-	2,240,733
-	313,707	-	6,779,200
<u>799,711</u>	<u>313,707</u>	<u>-</u>	<u>9,019,933</u>
<u>\$ 799,711</u>	<u>\$ 313,707</u>	<u>\$ 6,520,000</u>	<u>\$ 16,110,284</u>

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid and
 Changes in Fund Balances – Regulatory Basis
 All Governmental Fund Types
 Year Ended June 30, 2011

	Governmental Fund Types			
	General	Co-Op	Special Revenue	Capital Projects
<u>REVENUES COLLECTED:</u>				
District Sources	\$ 3,707,575	\$ -	\$ 927,979	\$ 78,169
Intermediate Sources	379,248	-	-	-
State Sources	12,494,214	-	92,386	-
Federal Sources	3,083,520	-	778,905	-
TOTAL REVENUE COLLECTED	19,664,557	-	1,799,270	78,169
<u>EXPENDITURES PAID:</u>				
Instruction	12,741,554	-	5,226	-
Support Services	5,656,914	-	482,540	-
Non-Instruction Services	129,103	-	1,105,951	-
Debt Service	-	-	-	-
Capital Outlay	-	-	153,043	4,445,265
Other Outlays	9,762	-	-	-
TOTAL EXPENDITURES PAID	18,537,333	-	1,746,760	4,445,265
Excess of Revenues Collected Over (Under) Expenditures Paid	1,127,224	-	52,510	(4,367,096)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	-	-	-	-
Excess of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	1,127,224	-	52,510	(4,367,096)
Fund Balance, Beginning of Year	2,697,381	-	2,588,378	5,808,118
Fund Balance, End of Year	\$ 3,824,605	\$ -	\$ 2,640,888	\$ 1,441,022

The accompanying notes are an integral part of this statement.

<u>Debt Service</u>	<u>Total (Memorandum Only)</u>
\$ 940,180	\$ 5,653,903
-	379,248
-	12,586,600
-	3,862,425
<u>940,180</u>	<u>22,482,176</u>
-	12,746,780
-	6,139,454
-	1,235,054
-	-
-	4,598,308
<u>811,525</u>	<u>821,287</u>
<u>811,525</u>	<u>25,540,883</u>
128,655	(3,058,707)
<u>-</u>	<u>-</u>
128,655	(3,058,707)
<u>671,056</u>	<u>11,764,933</u>
<u>\$ 799,711</u>	<u>\$ 8,706,226</u>

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid
 And Changes in Fund Balance – Budget and Actual – Regulatory Basis
 Budgeted Governmental Fund – General Fund
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>				
District Sources	\$ 2,658,192	\$ 2,658,192	\$ 3,707,575	\$ 1,049,383
Intermediate Sources	322,581	322,581	379,248	56,667
State Sources	10,783,990	10,783,990	12,494,214	1,710,224
Federal Sources	2,321,045	2,321,045	3,083,520	762,475
TOTAL REVENUE COLLECTED	<u>16,085,808</u>	<u>16,085,808</u>	<u>19,664,557</u>	<u>3,578,749</u>
<u>EXPENDITURES PAID:</u>				
Instruction	12,986,039	12,986,039	12,741,554	244,485
Support Services	5,657,850	5,657,850	5,656,914	936
Non-Instruction Services	129,500	129,500	129,103	397
Capital Outlay	-	-	-	-
Other Outlays	9,800	9,800	9,762	38
TOTAL EXPENDITURES PAID	<u>18,783,189</u>	<u>18,783,189</u>	<u>18,537,333</u>	<u>245,856</u>
Excess of Revenues Collected Over (Under) Expenditures Paid	(2,697,381)	(2,697,381)	1,127,224	3,824,605
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(2,697,381)	(2,697,381)	1,127,224	3,824,605
FUND BALANCE, BEGINNING OF YEAR	<u>2,697,381</u>	<u>2,697,381</u>	<u>2,697,381</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,824,605</u>	<u>\$ 3,824,605</u>

The accompanying notes are an integral part of this statement.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid
 And Changes in Fund Balance – Budget and Actual – Regulatory Basis
 Budgeted Governmental Fund – Special Revenue Fund
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>				
District Sources	\$ 545,594	\$ 545,594	\$ 927,979	\$ 382,385
State Sources	63,628	63,628	92,386	28,758
Federal Sources	741,987	741,987	778,905	36,918
TOTAL REVENUE COLLECTED	1,351,209	1,351,209	1,799,270	448,061
<u>EXPENDITURES PAID:</u>				
Instruction	6,000	6,000	5,226	774
Support Services	483,000	483,000	482,540	460
Non-Instruction Services	1,143,745	1,143,745	1,105,951	37,794
Capital Outlay	2,306,842	2,306,842	153,043	2,153,799
Other Outlays	-	-	-	-
TOTAL EXPENDITURES PAID	3,939,587	3,939,587	1,746,760	2,192,827
Excess of Revenues Collected Over (Under) Expenditures Paid	(2,588,378)	(2,588,378)	52,510	2,640,888
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	-	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(2,588,378)	(2,588,378)	52,510	2,640,888
FUND BALANCE, BEGINNING OF YEAR	2,588,378	2,588,378	2,588,378	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 2,640,888	\$ 2,640,888

The accompanying notes are an integral part of this statement.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
 Combined Statement of Revenues Collected, Expenditures Paid
 And Changes in Fund Balance – Budget and Actual – Regulatory Basis
 Budgeted Governmental Fund – Sinking Fund
 Year Ended June 30, 2011

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE COLLECTED:</u>			
District Sources	\$ 910,181	\$ 940,180	\$ 29,999
Intermediate Sources	-	-	-
State Sources	-	-	-
Federal Sources	-	-	-
	910,181	940,180	29,999
<u>EXPENDITURES PAID:</u>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Debt Service	-	-	-
Other Outlays	811,525	811,525	-
	811,525	811,525	-
Excess of Revenue Collected Over (Under) Expenditures Paid			
	98,656	128,655	29,999
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	-	-	-
Excess of Revenue Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)			
	98,656	128,655	29,999
FUND BALANCE, BEGINNING OF YEAR			
	671,056	671,056	-
FUND BALANCE, END OF YEAR			
	\$ 769,712	\$ 799,711	\$ 29,999

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The basic financial statements of the Ada Public Schools Independent District No. I-19 (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed Superintendent is the executive officer of the District.

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

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

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

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

Special Revenue Fund – The special revenue fund of the District consists of the Building Fund and Child Nutrition Fund.

Building Fund – The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund – The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms “nonexpendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principle. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund – The Agency Fund is the School’s Athletic and Activity Funds which are used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Gift and Endowment Fund – This Expendable Trust Fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

General Long-Term Debt Account Group – This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt-service fund and the amount to be provided in future years to complete retirement of the debt principal.

General Fixed Asset Account Group – This account group is used to account for property, plant and equipment of the school district.

Memorandum Only – Total Column

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

C. Basis of Accounting

The District prepares its basic financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management’s Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

**ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA**
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at June 30, 2011 that were provided for in the subsequent year's budget are:

General Fund	\$	-
Fiduciary Fund		-
Capital Projects		-
Building Fund		-
		<hr style="border: 1px solid black;"/>
Total	\$	<hr style="border: 3px double black;"/>

E. Budgets and Budgetary Accounting

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

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

A budget is legally adopted by the Board of Education for All Governmental Type Funds that includes revenues and expenditures.

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.

F. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – Investments consist of the purchase of Certificates of Deposit. All investments are recorded at cost.

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

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

Compensated Absences – The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

Due to Activity Groups – Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

Reserved for Debt Service – The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District).

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Fund Equity (continued)

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

G. Revenue, Expenses and Expenditures

Local Sources – Revenues from local sources is the money generated from within the District’s boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Sources – Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District’s boundaries.

State Sources – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

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

The District receives revenues from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked 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 revenue be accounted for in the general fund.

Federal Sources – Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

**ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

G. Revenue, Expenses and Expenditures (continued)

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services Expenditures – This expenditures category consists of activities which provide non-instructional services to students, staff or the community.

Capital Outlays – This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays – This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

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

H. Statement of Cash Flows

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2011 accompanying financial statements.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Note 2. Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed for all real, business personal and public service property located in the District. The assessed value of the certified roll, upon which the levy for the 2011 fiscal year was based, was \$82,599,184.

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INDEPENDENT SCHOOL DISTRICT NO. I-19
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Notes to Financial Statements
June 30, 2011

Note 2. Property Taxes (continued)

Ad valorem tax rates and collection for the year ended June 30, 2011 are as follows:

	Current Mills Levied	Year Collections	Percent Collected of Taxes Levied
General Fund	35.40	\$ 2,755,040	94.22%
Building Fund	5.06	393,800	94.22%
Sinking Fund	11.57	900,447	94.22%
Totals	<u>52.03</u>	<u>\$ 4,049,287</u>	

Collection of prior year ad valorem taxes are as follows:

General Fund	\$ 95,258
Building Fund	13,616
Sinking Fund	<u>24,989</u>
Total	<u>\$ 133,863</u>

On February 13, 2001, voters of the school district voted to make all current support levies permanent.

Note 3. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, 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.

In accordance with state statutes, the district's investment policy is as follows:

The district treasurer is required by the board of education to invest district monies in the custody of the treasurer in those investments permitted by law. The treasurer shall, to the extent practicable, use competitive bids when purchasing direct obligations of the United States Government or other obligations of the United States Government, its agencies, or instrumentalities.

The District Treasurer Shall limit investments to:

- a. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States is pledged; provided the district

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
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Notes to Financial Statements
June 30, 2011

Note 3. Cash and Investments (continued)

Treasurer, after completion of an investment education program in compliance with applicable law, may invest funds in the investment account in other obligations of the United States Government, its agencies or instrumentalities;

- b. Obligations to the payment of which the full faith and credit of this state is pledged;
- c. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies;
- d. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts to certificates are insured by the Federal Savings and Loan Insurance Corporation;
- e. Repurchase Agreements that have underlying collateral consisting of those items specified in paragraphs a and b above including obligations of the United States, its agencies, and instrumentalities, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes;
- f. County, municipal, or school district direct debt obligations for which and ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value;
- g. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items and those restrictions specified in paragraphs a through f above;
- h. Warrants, bonds, or judgments of the District;
- i. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the Board of Education has voted to be a member, the investments of which consist of those items specified in paragraphs a through h above, as well as obligations of the United States agencies and instrumentalities; or
- j. Any Other investment that is authorized by law.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 3. Cash and Investments (continued)

Credit Risk is the risk that an issuer or other counter part to an investment will not fulfill its obligation. Generally, the school's investments are managed under the custody of the school's treasurer. Investing is performed in accordance with the school's investment policy as described above. As of June 30, 2011 the school's investments were deposited in local banks in bank accounts and certificates of deposits. These deposits are in four banks and are entirely insured by the FDIC up to its limits, with the individual banks pledging securities for the deposits in excess of the FDIC limits. As such at June 30, 2011 the school was not subject to custodial credit risk. However, the school is subject to concentration of Credit Risk since two of the four banks have deposits in excess of five percent of the school's total investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investment held for longer periods of time are subject to increased risk of adverse interest rate changes. The School's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The school's investments are held in bank accounts and certificates of deposits which are short term to minimize Interest Rate Risk to as low of level as possible.

The District's deposits and investments are in various financial institutions as follows:

	<u>Bank Balance</u>	<u>Pledged Collateral</u>	<u>FDIC Insurance</u>
Citizen's Bank, Ada, OK	\$ 4,050,540	\$ 4,000,000	\$ 250,000
First United Bank, Ada, OK	5,165,767	8,300,000	250,000
UMB Bank (Bond Payment)	73,819	-	250,000
Vision Bank, Ada, OK	<u>300,158</u>	<u>805,000</u>	250,000
Total Deposits	<u>\$ 9,590,284</u>	<u>\$ 13,105,000</u>	

Note 4. General Long-Term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without the approval by the District 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 10 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.

ADA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-19
PONTOTOC COUNTY, OKLAHOMA
Notes to Financial Statements
June 30, 2011

Note 4. General Long-Term Debt (continued)

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

<u>Obligation</u>	<u>Balance Outstanding 6-30-10</u>	<u>Issued (Retired) During Year</u>	<u>Balance Outstanding 6-30-11</u>
2010 GO Bonds	\$ 1,970,000	\$ -	\$ 1,970,000
2008 GO Bonds	<u>5,200,000</u>	<u>(650,000)</u>	<u>4,550,000</u>
Totals	<u>\$ 7,170,000</u>	<u>\$ (650,000)</u>	<u>\$ 6,520,000</u>

The annual requirements to retire general obligations bonds as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 780,000	\$ 193,063	\$ 973,063
2013	880,000	171,413	1,051,413
2014	880,000	146,738	1,026,738
2015	880,000	121,414	1,001,414
2016	880,000	96,013	976,013
2017	880,000	69,425	949,425
2018	880,000	41,938	921,938
2019	230,000	13,513	243,513
2020	<u>230,000</u>	<u>6,900</u>	<u>236,900</u>
Totals	<u>\$ 6,520,000</u>	<u>\$ 860,417</u>	<u>\$ 7,380,417</u>

Note 5. Employee Retirement System

Plan Description - The District participates in the Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teacher's Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teacher's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405)521-2387.