

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
ARNETT INDEPENDENT SCHOOL DISTRICT  
NO. 3  
ELLIS COUNTY, OKLAHOMA  
JUNE 30, 2011**

**RECEIPT #**

16604

SEP 29 2011

State Auditor & Inspector

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ARNETT INDEPENDENT SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
AND FINANCIAL STATEMENTS  
NO. 3  
ELLIS COUNTY, OKLAHOMA  
JUNE 30, 2011

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**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA  
JUNE 30, 2011**

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ELLIS COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JULY 1, 2010 THROUGH JUNE 30, 2011**

**Board of Education**

President	Joe Hoskins
Vice-President	Weston Givens
Clerk	Rhonda Wayland
Member	Bruce Word
Member	John Mitchell

**Superintendent of Schools**

Tim Puett

**School District Treasurer**

Jackie Plymesser





# BRITTON, KUYKENDALL, & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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RICK D. MILLER

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## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

The Honorable Board of Education  
Arnett Independent School District No. 3  
Arnett, Ellis County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Arnett Independent School District No. 3, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2011. These financial statements are the responsibility of Arnett Independent School District No. 3, 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 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, Arnett Independent School District No. 3, Oklahoma, prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, because of the School's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Arnett Independent School District No. 3, Oklahoma, as of June 30, 2011, or the results of its operations for the year then ended.



However, in our opinion, except for the omission of the general fixed asset account group as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Arnett Independent School District No. 3, Oklahoma, as of June 30, 2011, and the revenues it received and expenditures it paid 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 4, 2011, on our consideration of Arnett Independent School District No. 3, Oklahoma's, internal control over financial reporting and 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 an opinion on the fund type and account group financial statements of Arnett Independent School District No. 3, Oklahoma, taken as a whole. The accompanying Combining Financial Statements and Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining Financial Statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements referred to above and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Britton, Kuykendall & Miller*

BRITTON, KUYKENDALL & MILLER  
Certified Public Accountants

Weatherford, Oklahoma  
August 4, 2011

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By the undersigned & attested

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**COMBINED FINANCIAL STATEMENTS**  
**OF**  
**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**ELLIS COUNTY, OKLAHOMA**







ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2011

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>ASSETS</u></b>				
Cash and Investments	\$ 607,744.52	\$ 145,866.69	\$ 245.97	\$ 350,000.00
Amount available in debt service fund	0.00	0.00	0.00	0.00
Amount to be provided for retirement of general long-term debt	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>\$ 607,744.52</b>	<b>\$ 145,866.69</b>	<b>\$ 245.97</b>	<b>\$ 350,000.00</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants payable	\$ 62,516.95	\$ 6,534.21	\$ 0.00	\$ 0.00
Encumbrances	12,419.67	0.00	0.00	8,329.76
Due to others	0.00	0.00	0.00	0.00
General obligation bonds payable	0.00	0.00	0.00	0.00
Interest Payable	0.00	0.00	0.00	0.00
Judgment Payable	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>74,936.62</b>	<b>6,534.21</b>	<b>0.00</b>	<b>8,329.76</b>
Fund Equity:				
Unreserved:				
Designated for capital projects	0.00	0.00	0.00	341,670.24
Designated for debt service	0.00	0.00	245.97	0.00
Undesignated	532,807.90	139,332.48	0.00	0.00
<b>Total fund balances</b>	<b>532,807.90</b>	<b>139,332.48</b>	<b>245.97</b>	<b>341,670.24</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 607,744.52</b>	<b>\$ 145,866.69</b>	<b>\$ 245.97</b>	<b>\$ 350,000.00</b>

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

<u>Fiduciary Fund Types</u> Trust and Agency	<u>Account Group</u> General Long- Term Debt	<u>Total (Memorandum Only - Note 1) 2011</u>
\$ 60,523.22	\$ 0.00	\$ 1,164,380.40
0.00	245.97	245.97
<u>0.00</u>	<u>349,754.03</u>	<u>349,754.03</u>
<u>\$ 60,523.22</u>	<u>\$ 350,000.00</u>	<u>\$ 1,514,380.40</u>
\$ 0.00	\$ 0.00	\$ 69,051.16
0.00	0.00	20,749.43
60,523.22	0.00	60,523.22
0.00	350,000.00	350,000.00
0.00	0.00	0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>60,523.22</u>	<u>350,000.00</u>	<u>500,323.81</u>
0.00	0.00	341,670.24
0.00	0.00	245.97
<u>0.00</u>	<u>0.00</u>	<u>672,140.38</u>
<u>0.00</u>	<u>0.00</u>	<u>1,014,056.59</u>
<u>\$ 60,523.22</u>	<u>\$ 350,000.00</u>	<u>\$ 1,514,380.40</u>



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - REGULATORY BASIS -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Fund Types				Total (Memorandum Only - Note 1) 2011
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Local sources	\$ 43,711.95	\$ 41,037.49	\$ 245.97	\$ 0.00	\$ 84,995.41
Intermediate sources	686,143.57	88,970.81	95,635.43	0.00	870,749.81
State sources	1,026,313.99	70,517.05	594.95	0.00	1,097,425.99
Federal Sources	101,617.20	33,151.86	0.00	0.00	134,769.06
<b>Total Revenues Collected</b>	<b>1,857,786.71</b>	<b>233,677.21</b>	<b>96,476.35</b>	<b>0.00</b>	<b>2,187,940.27</b>
Expenditures:					
Instruction	1,077,688.07	27,542.81	0.00	0.00	1,105,230.88
Support services	656,072.04	88,881.92	0.00	8,329.76	753,283.72
Non - Instructional services	2,529.45	74,331.87	0.00	0.00	76,861.32
Capital outlay	0.00	0.00	0.00	0.00	0.00
Other outlays	12,626.24	34.75	0.00	0.00	12,660.99
Debt service:					
Principal retirement	0.00	0.00	150,000.00	0.00	150,000.00
Interest and fiscal agent charges	0.00	0.00	3,225.00	0.00	3,225.00
Judgments paid	0.00	0.00	0.00	0.00	0.00
<b>Total Expenditures</b>	<b>1,748,915.80</b>	<b>190,791.35</b>	<b>153,225.00</b>	<b>8,329.76</b>	<b>2,101,261.91</b>
Excess of revenue over (under) expenditures	108,870.91	42,885.86	(56,748.65)	(8,329.76)	86,678.36
Adjustments to prior year encumbrances	49,554.80	42.02	0.00	0.00	49,596.82
Other financing sources (uses):					
Operating Transfers	0.00	(767.73)	767.73	0.00	0.00
Bond sale proceeds	0.00	0.00	0.00	350,000.00	350,000.00
Excess of revenues and other sources over (under) expenditures and other uses	158,425.71	42,160.15	(55,980.92)	341,670.24	486,275.18
Beginning fund balance	374,382.19	97,172.33	56,226.89	0.00	527,781.41
Ending fund balance	<b>\$ 532,807.90</b>	<b>\$ 139,332.48</b>	<b>\$ 245.97</b>	<b>\$ 341,670.24</b>	<b>\$ 1,014,056.59</b>





ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS  
 BUDGETED GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	\$ 374,382.19	\$ 374,382.19	\$ 374,382.19	\$ 97,172.33	\$ 97,172.33	\$ 97,172.33
Revenues:						
Local sources	0.00	0.00	43,711.95	31,560.92	31,560.92	41,037.49
Intermediate sources	653,307.83	653,307.83	686,143.57	86,421.07	86,421.07	88,970.81
State sources	893,023.34	893,023.34	1,026,313.99	69,771.71	69,771.71	70,517.05
Federal sources	101,273.95	101,273.95	101,617.20	30,472.21	30,472.21	33,151.86
Total Revenue, budgetary basis	<u>1,647,605.12</u>	<u>1,647,605.12</u>	<u>1,857,786.71</u>	<u>218,225.91</u>	<u>218,225.91</u>	<u>233,677.21</u>
Expenditures:						
Instruction	1,159,208.86	1,158,208.86	1,077,688.07	68,058.50	68,058.50	27,542.81
Support services	831,620.45	831,620.45	656,072.04	161,684.63	161,684.63	88,881.92
Non - Instructional services	5,000.00	5,000.00	2,529.45	85,455.11	85,455.11	74,331.87
Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00
Other Outlays	27,158.00	27,158.00	12,626.24	200.00	200.00	34.75
Debt Service:						
Principal retirement	0.00	0.00	0.00	0.00	0.00	0.00
Interest and fiscal agent charges	0.00	0.00	0.00	0.00	0.00	0.00
Judgments paid	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditures, budgetary basis	<u>2,021,987.31</u>	<u>2,021,987.31</u>	<u>1,748,915.80</u>	<u>315,398.24</u>	<u>315,398.24</u>	<u>190,791.35</u>
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	(0.00)	0.00	483,253.10	0.00	0.00	140,058.19
Other financing sources (uses):						
Operating Transfers	0.00	0.00	0.00	0.00	0.00	(767.73)
Bond sale proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	(0.00)	0.00	483,253.10	0.00	0.00	139,290.46
Adjustments to prior year encumbrances	0.00	0.00	49,554.80	0.00	0.00	42.02
Ending fund balances	\$ (0.00)	\$ 0.00	\$ 532,807.90	\$ 0.00	\$ 0.00	\$ 139,332.48

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



Debt Service Fund			Capital Projects Funds		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ 56,226.89	\$ 56,226.89	\$ 56,226.89	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	245.97	350,000.00	350,000.00	350,000.00
96,998.11	96,998.11	95,635.43	0.00	0.00	0.00
0.00	0.00	594.95	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
<u>96,998.11</u>	<u>96,998.11</u>	<u>96,476.35</u>	<u>350,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	350,000.00	350,000.00	8,329.76
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
150,000.00	150,000.00	150,000.00	0.00	0.00	0.00
3,225.00	3,225.00	3,225.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
<u>153,225.00</u>	<u>153,225.00</u>	<u>153,225.00</u>	<u>350,000.00</u>	<u>350,000.00</u>	<u>8,329.76</u>
0.00	0.00	(521.76)	0.00	0.00	341,670.24
0.00	0.00	767.73	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	245.97	0.00	0.00	341,670.24
0.00	0.00	0.00	0.00	0.00	0.00
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 245.97</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 341,670.24</u>



**NOTES TO COMBINED FINANCIAL STATEMENTS**

**OF**

**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA**



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Note 1. **Summary of Significant Accounting Policies**

The basic financial statements of the Arnett Public Schools Independent District No. 3, Ellis County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State 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 basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**B. Fund Accounting and Description of Funds**

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

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

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

**Governmental Fund Types**

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

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

**Special Revenue Funds** – Special revenue funds for the District include the building, child nutrition, and coop funds.





**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Fund Accounting and Description of Funds, (Continued)**

**Special Revenue Funds, (Continued)**

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 the 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 various nutrition programs provided to students.

Co-op Fund - The Co-op Fund consists of monies collected from certain federal grant program resources and contributions from other school districts who voluntarily choose to pool their resources for the purpose of coordinated, multi-district special education and related services.

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

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

Permanent Fund – Permanent funds account for restricted resources where the District is under an obligation to maintain the trust principal. The District has no permanent funds.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Fund Accounting and Description of Funds, (Continued)**

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those 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 other departments or agencies primarily within the District (internal service funds). The District has no proprietary funds.

**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 trust agreement, trust funds are used for their accounting and reporting. 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.

**Expendable Trust Funds** – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust fund.

**Agency Fund** – The agency fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts 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.

**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. It would also be used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Fund Accounting and Description of Funds, (Continued)**

**Account Groups, (Continued)**

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

**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 and Presentation**

The District prepares its 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 and Management’s Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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 and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payables are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Fund Accounting and Description of Funds, (Continued)**

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. 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 second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**E. Assets, Liabilities, and Fund Equity**

**Cash** – The District considers all cash on hand, demand deposit accounts, and interest bearing checking accounts to be cash.

**Investments** – Investments consist of certificate of deposits or direct obligations of the United States Government and Agencies. All investments are recorded at cost, which approximates market value.





**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Assets, Liabilities, and Fund Equity, (Continued)**

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

**Fixed Assets and Property, Plant, and Equipment** – Fixed assets are recorded by the District as capital outlay expenditures in each fund. The District has not maintained the cost of fixed assets purchased in previous years. Thus, the General Fixed Asset Account Group is not presented.

**Compensated Absences** – The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma statutes. Vested accumulated rights to receive sick pay benefits have not been reported in the accompanying financial statements. The amount that should be recorded in the General Long Term Debt Account Group is not known.

**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.

For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**Fund Balance** - Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

**F. Revenue, Expenses, and Expenditures**

**Local Revenues** – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. One such revenue is property tax 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. These property taxes are distributed to the District's General, Building, and Sinking Funds based on the levies approved for each fund. Other local sources of revenues could include interest earnings, tuition, fees, rentals, disposals, commissions, and reimbursements.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Revenue, Expenses, and Expenditures, (Continued)**

**Property Tax 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 prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**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.

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules required that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Revenue, Expenses, and Expenditures, (Continued)**

**Federal Revenues** – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state. An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

**Non-Revenue Receipts** – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

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

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

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

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



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Summary of Significant Accounting Policies, (Continued)**

**Revenue, Expenses, and Expenditures, (Continued)**

**Other Outlays/Uses Expenditures** – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as other outlays. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another. Other outlays also include other use expenditures. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Repayment expenditures are also included as other outlays. Repayments are checks/warrants issued to outside agencies for refund of restricted revenue previously received for overpayment, nonqualified expenditures, and other refunds to be repaid from district funds. Other outlays could also include a provision for any interest that the District paid on warrants.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Note 2. **Cash and Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, bank and trust companies, 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 states that funds may be invested in the following: 1.) direct obligations of the United States government to the payment of which the full faith and credit of the United States government or State of Oklahoma is pledged, 2.) certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies, 3.) savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government,





**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Cash and Investments, (Continued)**

4.) repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma, 5.) county, municipal or school district debt obligations for which an ad valorem tax may be levied, 6.) 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, 7.) warrants, bonds or judgments of the school district, 8.) 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 items 1 through 7 above, as well as obligations of the United States agencies and instrumentalities, and 9.) any other investment that is authorized by law.

**Deposits and Investments** – The District’s cash deposits and investments at June 30, 2011, were completely insured or collateralized by federal deposit insurance, direct obligations, of the United States Government, or securities held by the District or by its agent in the District’s name.

**Deposit Categories of Credit Risk**

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name
- (C) Uncollateralized

	<u>Category</u>			<u>Bank Balance</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	
Cash	\$ 310,523.22	\$ 853,857.18	\$ -0-	\$ 1,164,380.40
Investments	0.00	0.00	-0-	0.00
<b>Total</b>	<b><u>\$ 310,523.22</u></b>	<b><u>\$ 853,857.18</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,164,380.40</u></b>



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Note 3. **Investment Income and Interest Cost**

Investment income deposits to the District's Treasurer's accounts are receipted as allocated by the Independent Treasurer. School District funds held by the Independent Treasurer are required to be invested in accordance with Title 70 of the Oklahoma Statutes, Article 5, Section 115. Interest income on cash funds totaled \$2,474.72.

Expenditures for interest totaled \$3,225.00 during the current year, which was expended out of the Sinking Fund.

Note 4. **Interfund Receivables and Payables**

Interfund receivables and payables at June 30, 2011, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -0-	\$ -0-
Special Revenue Fund	-0-	-0-
Enterprise Fund	-0-	-0-
Total	\$ -0-	\$ -0-

Note 5. **General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue.

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



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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>Bonds Payable</u>	<u>Total</u>
Balance, July 1, 2010	\$ 150,000.00	\$ 150,000.00
Additions	350,000.00	350,000.00
Retirements	<u>150,000.00</u>	<u>150,000.00</u>
Balance, June 30, 2011	<u>\$ 350,000.00</u>	<u>\$ 350,000.00</u>

A brief description of the outstanding general obligation bond issues at June 30, 2011, is set forth below:

Arnett Independent School District No. 3 Building Bonds, Series 2011, original issue \$350,000.00, interest rate of 1.25% to .95%, due in annual installments of \$175,000.00, final payment of \$175,000.00 due 06/01/14.

	<u>Amount Outstanding</u>
	<u>\$ 350,000.00</u>
Total	<u>\$ 350,000.00</u>

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 0.00	\$ 3,850.00	\$ 3,850.00
2013	175,000.00	3,850.00	178,850.00
2014	175,000.00	1,662.50	176,662.50
Thereafter	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 350,000.00</u>	<u>\$ 9,362.50</u>	<u>\$ 359,362.50</u>

Interest expense on general long-term debt incurred during the current year totaled \$3,225.00.



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Note 6. **Employee Retirement System**

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"), which is a cost-sharing, multiple-employer Public Employee Retirement System. Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, Post Office Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the District's, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The district is required by statute to contribute 9.5% effective July 1, 2010 and thereafter. The District is allowed by the Teachers' Retirement System of Oklahoma to make the required contributions on behalf of the participating members. The required contribution for participating members is 7% of compensation.





**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Employee Retirement System, Continued**

For the year ended June 30, 2011, the total compensation covered by the Teacher Retirement System was \$1,079,161.42. The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$103,077.60, \$95,526.66, and \$88,572.03, respectively.

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 nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2010, is as follows:

Total pension benefit obligation	\$19,980,640,592
Net assets available for benefits, at cost	9,566,683,405
	<hr/>
Nonfunded pension benefit obligation	<u>\$ 10,413,857,187</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2009. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Note 7. **Contingencies**

**Federal Grants**

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

**Litigation**

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



**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Note 8. **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, employee's health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 9. **Surety Bonds**

Treasurer is bonded by Western Surety Company, bond number 18184244, for the penal sum of \$100,000.00 for the term of June 15, 2010, to June 15, 2011, and June 15, 2011, to June 15, 2012.

Minute Clerk is bonded by Western Surety Company, bond number 18255007, for the penal sum of \$1,000.00 for the term of July 27, 2009, to July 27, 2010, and July 27, 2010, to July 27, 2011.

Activity Fund Custodian is bonded by Western Surety Company, bond number 18198886, for the penal sum of \$100,000.00 for the term of January 20, 2010 to January 20, 2011, and January 20, 2011, to January 20, 2012.

Encumbrance Clerk is bonded by Western Surety Company, bond number 70953587, for the penal sum of \$100,000.00 for the term of July 1, 2010, to July 1, 2011.

Superintendent is bonded by Western Surety Company, bond number 70755003, for the penal sum of \$100,000.00 for the term of July 1, 2010, to July 1, 2011.



**SUPPORTING SCHEDULES**  
**OF**  
**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**ELLIS COUNTY, OKLAHOMA**



**COMBINING FINANCIAL STATEMENTS**  
**OF**  
**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**ELLIS COUNTY, OKLAHOMA**





ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Coop Fund</u>	<u>Totals 2011</u>
<b><u>ASSETS</u></b>				
Cash and Investments	\$ 104,089.15	\$ 19,189.25	\$ 22,588.29	\$ 145,866.69
Total Assets	<u>\$ 104,089.15</u>	<u>\$ 19,189.25</u>	<u>\$ 22,588.29</u>	<u>\$ 145,866.69</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Warrants payable	\$ 2,757.21	\$ 2,550.44	\$ 1,226.56	\$ 6,534.21
Encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities	<u>2,757.21</u>	<u>2,550.44</u>	<u>1,226.56</u>	<u>6,534.21</u>
 Total fund balances	 <u>101,331.94</u>	 <u>16,638.81</u>	 <u>21,361.73</u>	 <u>139,332.48</u>
Total Liabilities and Fund Balances	<u>\$ 104,089.15</u>	<u>\$ 19,189.25</u>	<u>\$ 22,588.29</u>	<u>\$ 145,866.69</u>



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -  
 ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund	Child Nutrition Fund	Coop Fund	Totals 2011
<b>Revenues:</b>				
Local sources	\$ 7,157.00	\$ 33,880.49	\$ 0.00	\$ 41,037.49
Intermediate sources	88,970.81	0.00	0.00	88,970.81
State sources	11,424.26	8,922.29	50,170.50	70,517.05
Federal Sources	0.00	33,151.86	0.00	33,151.86
<b>Total Revenues Collected</b>	<b>107,552.07</b>	<b>75,954.64</b>	<b>50,170.50</b>	<b>233,677.21</b>
<b>Expenditures:</b>				
Instruction	0.00	0.00	27,542.81	27,542.81
Support services	87,615.96	0.00	1,265.96	88,881.92
Non - Instructional services	0.00	74,331.87	0.00	74,331.87
Capital Outlay	0.00	0.00	0.00	0.00
Other Outlays	0.00	34.75	0.00	34.75
<b>Total Expenditures</b>	<b>87,615.96</b>	<b>74,366.62</b>	<b>28,808.77</b>	<b>190,791.35</b>
Excess of revenue over (under) expenditures	19,936.11	1,588.02	21,361.73	42,885.86
Adjustments to prior year encumbrances	0.00	42.02	0.00	42.02
<b>Other financing sources (uses):</b>				
Operating Transfers	(767.73)	0.00	0.00	(767.73)
Excess of revenue and other sources over (under) expenditures and other uses	19,168.38	1,630.04	21,361.73	42,160.15
Beginning fund balance	82,163.56	15,008.77	0.00	97,172.33
Ending fund balance	\$ 101,331.94	\$ 16,638.81	\$ 21,361.73	\$ 139,332.48





ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS  
 ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	\$ 82,163.56	\$ 82,163.56	\$ 82,163.56
Revenues:			
Local sources	0.00	0.00	7,157.00
Intermediate sources	86,421.07	86,421.07	88,970.81
State sources	10,600.00	10,600.00	11,424.26
Federal sources	0.00	0.00	0.00
Total Revenue, budgetary basis	<u>97,021.07</u>	<u>97,021.07</u>	<u>107,552.07</u>
Expenditures:			
Instruction	20,000.00	20,000.00	0.00
Support services	159,184.63	159,184.63	87,615.96
Non - Instructional services	0.00	0.00	0.00
Capital Outlay	0.00	0.00	0.00
Other Outlays	0.00	0.00	0.00
Total Expenditures, budgetary basis	<u>179,184.63</u>	<u>179,184.63</u>	<u>87,615.96</u>
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	102,099.67
Other financing sources (uses):			
Operating Transfers	0.00	0.00	(767.73)
Bond sale proceeds	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	101,331.94
Adjustments to prior year encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Ending fund balances	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 101,331.94</u>

Child Nutrition Fund			Coop Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ 15,008.77	\$ 15,008.77	\$ 15,008.77	\$ 0.00	\$ 0.00	\$ 0.00
31,560.92	31,560.92	33,880.49	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
8,613.21	8,613.21	8,922.29	50,558.50	50,558.50	50,170.50
30,472.21	30,472.21	33,151.86	0.00	0.00	0.00
<u>70,646.34</u>	<u>70,646.34</u>	<u>75,954.64</u>	<u>50,558.50</u>	<u>50,558.50</u>	<u>50,170.50</u>
0.00	0.00	0.00	48,058.50	48,058.50	27,542.81
0.00	0.00	0.00	2,500.00	2,500.00	1,265.96
85,455.11	85,455.11	74,331.87	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
200.00	200.00	34.75	0.00	0.00	0.00
<u>85,655.11</u>	<u>85,655.11</u>	<u>74,366.62</u>	<u>50,558.50</u>	<u>50,558.50</u>	<u>28,808.77</u>
0.00	0.00	16,596.79	0.00	0.00	21,361.73
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	16,596.79	0.00	0.00	21,361.73
0.00	0.00	42.02	0.00	0.00	0.00
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 16,638.81</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 21,361.73</u>





ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 - REGULATORY BASIS - ALL CAPITAL PROJECT FUNDS  
 JUNE 30, 2011

	Building Bond Fund	Totals 2011
<b><u>ASSETS</u></b>		
Cash and Investments	\$ 350,000.00	\$ 350,000.00
Total Assets	\$ 350,000.00	\$ 350,000.00
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Warrants payable	\$ 0.00	\$ 0.00
Encumbrances	8,329.76	8,329.76
Total Liabilities	8,329.76	8,329.76
 Total fund balances	 341,670.24	 341,670.24
Total Liabilities and Fund Balances	\$ 350,000.00	\$ 350,000.00



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -  
 ALL CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Building Bond Fund	Totals 2011
Revenues:		
Local sources	\$ 350,000.00	\$ 350,000.00
Intermediate sources	0.00	0.00
State sources	0.00	0.00
Federal Sources	0.00	0.00
	350,000.00	350,000.00
Total Revenues Collected		
Expenditures:		
Instruction	0.00	0.00
Support services	8,329.76	8,329.76
Non - Instructional services	0.00	0.00
Capital Outlay	0.00	0.00
Other Outlays	0.00	0.00
	8,329.76	8,329.76
Total Expenditures		
Excess of revenue over (under) expenditures	341,670.24	341,670.24
Adjustments to prior year encumbrances	0.00	0.00
Excess of revenue and other sources over (under) expenditures and other uses	341,670.24	341,670.24
Beginning fund balance	0.00	0.00
Ending fund balance	\$ 341,670.24	\$ 341,670.24



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 - REGULATORY BASIS - FIDUCIARY FUNDS  
 JUNE 30, 2011

	<u>Agency Fund</u> Activity Fund	<u>Totals</u> 2011
<u>ASSETS</u>		
Cash and Investments	\$ 60,523.22	\$ 60,523.22
Total Assets	\$ <u>60,523.22</u>	\$ <u>60,523.22</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Warrants Payable	\$ 0.00	\$ 0.00
Due to Others	<u>60,523.22</u>	<u>60,523.22</u>
Total Liabilities	<u>60,523.22</u>	<u>60,523.22</u>
Total fund balances	<u>0.00</u>	<u>0.00</u>
Total Liabilities and Fund Balances	\$ <u>60,523.22</u>	\$ <u>60,523.22</u>



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
 ELLIS COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 - REGULATORY BASIS -  
 ALL AGENCY FUNDS  
 July 1, 2010 through June 30, 2011

<u>ASSETS</u>	Beginning Balance As of 7-1-10	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of 6-30-11
<u>ACTIVITIES</u>					
Athletics	\$ 16,381.58	\$ 81,032.91	\$ (3,550.00)	\$ 75,920.11	\$ 17,944.38
Annual	8,676.53	10,167.33	750.00	9,047.49	10,546.37
Beta Club	4,633.93	2,118.95	500.00	2,668.60	4,584.28
Cheerleaders	491.92	1,440.00	250.00	1,276.00	905.92
Clearing	0.00	35.55	0.00	35.55	0.00
Elementary	2,301.65	508.50	0.00	913.62	1,896.53
Flower Fund	16.94	280.00	0.00	217.00	79.94
General	2,225.46	2,124.88	250.00	2,154.18	2,446.16
Technology Education	4,084.97	16,678.07	1,273.00	17,123.74	4,912.30
Interest Earned	1,989.66	163.08	0.00	523.00	1,629.74
Class of 2014	460.00	370.00	0.00	50.00	780.00
Class of 2016	0.00	60.00	0.00	50.00	10.00
Class of 2015	50.00	0.00	0.00	0.00	50.00
Class of 2012	1,500.00	4,149.00	750.00	4,271.66	2,127.34
Class of 2011	1,760.34	190.00	0.00	1,628.50	321.84
Class of 2010	5.06	0.00	0.00	5.06	0.00
Class of 2013	485.00	670.00	0.00	0.00	1,155.00
Miss Arnett	513.03	315.00	0.00	484.50	343.53
Music	218.02	914.00	(223.00)	850.88	58.14
Petty Cash	0.00	200.00	0.00	200.00	0.00
Class of 2009	479.38	0.00	0.00	479.38	0.00
Student Concessions	2,549.93	0.00	0.00	146.85	2,403.08
Swimming	766.16	961.50	0.00	1,400.00	327.66
Vo-Ag	9,270.79	26,760.02	0.00	28,029.80	8,001.01
<b>TOTAL ASSETS</b>	<b>\$ 58,860.35</b>	<b>\$ 149,138.79</b>	<b>\$ 0.00</b>	<b>\$ 147,475.92</b>	<b>\$ 60,523.22</b>
 <u>LIABILITIES</u>					
Due to Student Groups	\$ 58,860.35	\$ 149,138.79	\$ 0.00	\$ 147,475.92	\$ 60,523.22
<b>TOTAL LIABILITIES</b>	<b>\$ 58,860.35</b>	<b>\$ 149,138.79</b>	<b>\$ 0.00</b>	<b>\$ 147,475.92</b>	<b>\$ 60,523.22</b>





**SUPPLEMENTARY INFORMATION**

**OF**

**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA**



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at 07-01-10	Receipts	Expenditures	Ending Balance at 06-30-11
<i>U.S. Department of Education Direct Programs:</i>							
<b>2010-2011 Programs</b>							
REAP Award # S358A102482	84.358A	588	\$ 19,846.00	0.00	\$ 2,233.71	\$ 3,035.93	\$ (802.22)
REAP Award # S358A092482	84.358A	588	19,662.00	0.00	16,114.76	16,114.76	0.00
Total U.S. Department of Education			39,508.00	0.00	18,348.47	19,150.69	(802.22)
<i>Passed Through State Department of Education:</i>							
<b>2009-2010 Programs</b>							
Title I - LEA	84.010	511	0.00	(7,118.01)	7,118.01	0.00	0.00
OJT - Rehabilitation	84.126	456	0.00	(2,435.02)	2,435.02	0.00	0.00
<b>2010-2011 Programs</b>							
OJT - Rehabilitation	84.126	456	11,897.38	0.00	12,404.38	12,404.38	0.00
Title I - LEA	84.010	511	26,270.49	0.00	5,458.32	15,440.04	(9,981.72)
Title II - Part A	84.367	541	9,115.47	0.00	0.00	0.00	0.00
Title II - Part D Prof. Dev.	84.318	548	13.77	0.00	0.00	0.00	0.00
Title II - Part D Technology	84.318	546	41.30	0.00	0.00	0.00	0.00
ARRA Stabilization Fund	84.394	782	30,730.00	0.00	30,730.00	30,730.00	0.00
Education Jobs Fund	84.410	790	25,123.00	0.00	25,123.00	25,123.00	0.00
Total State Department of Education			103,191.41	(9,553.03)	83,268.73	83,697.42	(9,981.72)
Total U.S. and State Department of Education			\$ 142,699.41	(9,553.03)	101,617.20	102,848.11	(10,783.94)
<i>U.S. Department of Agriculture:</i>							
<b>Passed Through State Dept. of Education:</b>							
<i>Cash Assistance:</i>							
National School Lunch Program	10.555				23,535.12	23,535.12	
School Breakfast Program	10.553				9,616.74	9,616.74	
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				4,632.25	4,632.25	
Total USDA					37,784.11	37,784.11	
Total Federal Assistance					\$ 139,401.31	\$ 140,632.22	

Note - 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. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.



**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE**

**OF**

**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA**





# BRITTON, KUYKENDALL, & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL  
RICK D. MILLER

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BRANCH OFFICE  
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CORDELL, OK. 73632  
580-832-5313  
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## INDEPENDENT AUDITOR'S 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*

The Honorable Board of Education  
Arnett Independent School District No. 3  
Arnett, Ellis County, Oklahoma

We have audited the financial statements of Arnett Independent School District No. 3, Arnett, Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 4, 2011. As stated in our report, the financial statements were prepared in compliance with the cash basis as prescribed by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. 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 Arnett Independent School District No. 3, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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





### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arnett Independent School District No. 3, Arnett, Oklahoma'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* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Arnett Independent School District No. 3, Oklahoma, in a separate statement of audit comments included with this report.

This report is intended solely for the information and use of the Board of Education and administrative employees, and all applicable county, state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Britton, Kuykendall & Miller*

BRITTON, KUYKENDALL AND MILLER  
Certified Public Accountants

Weatherford, Oklahoma  
August 4, 2011

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Barthelme & Moller

1111 1st Street  
New York, N.Y.

Telephone: 2-1234

**ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3**  
**ELLIS COUNTY, OKLAHOMA**  
**AUDIT COMMENTS**  
**JUNE 30, 2011**

CURRENT YEAR

- 11-1. During our audit of the Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.

PRIOR YEAR

- 10-1. During the audit of the payroll records, we noted some extra duty pay where remuneration for services exceeding \$500.00 did not have a written extra duty contract as required by Title 70 Section 5-123 of the Oklahoma Statutes.
- 10-2. During our audit of the Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.

The School District implemented procedures to correct item 10-1 of the prior year audit comments.



# Arnett Public School

P. O. Box 317

Arnett, Oklahoma, 73832

fax 580-885-7922

Tim Puett, Superintendent

580-885-7811

Bob Dobrinski  
Principal  
Jr.-Sr. High School  
580-885-7285

Scott Friesen  
Elementary  
Principal  
580-885-7285

September 24, 2010

## RESPONSE TO AUDIT COMMENTS

**10-1. During the audit of the payroll records, it was noted some extra duty pay that exceeded \$500.00, didn't have an extra duty contract as required by Title 70 Section 5-123 of the Oklahoma Statutes.**

Corrective Action:

10-1. All extra duty assignments \$500.00 or more will require a contract starting immediately.

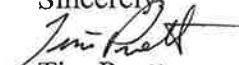
**10-2. During the Audit the Activity Fund, it was noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery tickets to indicate that the goods or services were received and in good condition.**

Corrective Action:

10-2. Every effort will be made to insure all those who receive goods will sign for the goods or services to verify receipt of goods or services.

All corrective actions will begin immediately and checked periodically by the Superintendent.

Sincerely,



Tim Puett

Superintendent

Arnett Public Schools



ARNETT INDEPENDENT SCHOOL DISTRICT NO. 3  
ELLIS COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 THROUGH JUNE 30, 2011

State of Oklahoma    )  
                                  ) ss  
County of Ellis        )

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 Arnett Independent School District No. 3, Oklahoma, for the audit year 2010-2011.

*Britton, Kuykendall & Miller*

BRITTON, KUYKENDALL & MILLER  
Certified Public Accountants

By *Rich Miller*

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

*Frances A. Lewis*  
NOTARY PUBLIC



Boston & Sandwich & Middle

1850

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