

ANNUAL FINANCIAL REPORT
INDEPENDENT SCHOOL DISTRICT NO. 7
HARRAH PUBLIC SCHOOL DISTRICT
OKLAHOMA COUNTY, OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

HARRAH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 7
OKLAHOMA, COUNTY
JUNE 30, 2011

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HARRAH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 7
OKLAHOMA, COUNTY
JULY 1, 2010 TO JUNE 30, 2011

SCHOOL DISTRICT BOARD MEMBERS

Ed Welton
Dave Wiegert
Kevin McBrayer
Jeff Winters
Mike Sammons – July 1, 2010 to June 30, 2011
Brenda Lusher – July 1, 2010 to June 30, 2011

SUPERINTENDENT OF SCHOOL DISTRICT

Dr. Dean Hughes

CLERK OF THE BOARD

Leslie Hobaugh

SCHOOL DISTRICT TREASURER

David Harp

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Harrah Independent School District No. 7
Oklahoma County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Harrah School District No. 7, Oklahoma 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 Harrah School District, No. 7, Oklahoma 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 *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, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Harrah School District No. 7, 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 November 29, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

This report is intended solely for the information and use of the Board of Education of Harrah School District No. 7, Oklahoma State Department of Education, and certain federal regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Putnam & Company".

Putnam & Company, PLLC

Edmond, Oklahoma
November 29, 2011

COMBINED FINANCIAL STATEMENTS

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES
(ALL FUND TYPES AND ACCOUNT GROUPS) - REGULATORY BASIS
JUNE 30, 2011**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Totals
	General	Special Revenue	Debt Service	Capital Projects Fund	Trust and Agency	General Long-Term Debt	(Memorandum Only)
ASSETS							
Cash and Cash Equivalents	\$2,620,241	1,714,711	1,116,717	321,063	288,607		6,061,339
Amount available in Debt Service Fund						53,649	53,649
Amount to be provided for retirement of General Long-Term Debt						2,544,361	2,544,361
Total Assets	\$2,620,241	1,714,711	1,116,717	321,063	288,607	2,598,010	8,659,349
LIABILITIES							
Warrants Payable	\$670,680	32,830			10,822		714,332
General Obligation Bonds Payable			1,034,000			2,466,000	3,500,000
Interest Payable on Bonds			29,068			132,010	161,078
Total Liabilities	670,680	32,830	1,063,068	0	10,822	2,598,010	4,375,410
FUND EQUITY							
Fund Balances:							
Reserved for Encumbrances	481,986	21,762					503,748
Designated for Debt Service			53,649				53,649
Designated for Student Activities					277,785		277,785
Designated for Capital Projects				321,063			321,063
Fund Balance	1,467,575	1,660,119					3,127,694
Total Fund Balance	1,949,561	1,681,881	53,649	321,063	277,785	0	4,283,939
Total Liabilities and Fund Equity	\$2,620,241	1,714,711	1,116,717	321,063	288,607	2,598,010	8,659,349

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

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Fund Types				Fiduciary Fund Types Trust and Agency	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
REVENUES:						
Local Sources	\$2,485,430	784,167	1,291,802	1,130,000	647,632	6,339,031
Intermediate Sources	548,902					548,902
State Sources	8,712,731	99,142				8,811,873
Federal Sources	2,053,885	474,627				2,528,512
Total Revenues	13,800,948	1,357,936	1,291,802	1,130,000	647,632	18,228,318
EXPENDITURES:						
Instruction	8,609,501	0				8,609,501
Support Services	4,560,504	116,914				4,677,418
Non-Instructional Services		875,817			653,048	1,528,865
Facilities Acquisition & Construction Services		241,317		1,301,142		1,542,459
Other Outlays	2,449	375				2,824
Repayments	148	395				543
DEBT SERVICE						
Other Disbursements						0
Bonds Paid			1,218,500			1,218,500
Coupons Paid			85,396			85,396
Total Expenditures	13,172,602	1,234,818	1,303,896	1,301,142	653,048	17,665,506
Revenues Over (Under) Expenditures	628,346	123,118	(12,094)	(171,142)	(5,416)	562,812
OTHER FINANCING SOURCES (USES):						
Return of Assets	49,122	375				49,497
Estopped Warrants	558					558
Bank Charges		(3,540)				(3,540)
Deobligation of Prior Year Funds	39,558	14,595				54,153
Transfers						0
Total Other Financing Sources (Uses)	89,238	11,430	0	0	0	100,668
Revenue and Other Sources Over (Under) Expenditures and Other Uses	717,584	134,548	(12,094)	(171,142)	(5,416)	663,480
Fund Balance, Beginning of Year	1,231,977	1,547,333	65,743	492,205	283,201	3,620,459
Fund Balance, End of Year	\$1,949,561	\$1,681,881	53,649	321,063	277,785	4,283,939

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

HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REGULATORY BASIS
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Special Revenue Funds		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$2,748,452	2,485,430	-263,022	606,906	784,167	177,261
Intermediate Sources	480,293	548,902	68,609			0
State Sources	8,577,110	8,712,731	135,621	102,249	99,142	-3,107
Federal Sources	1,182,455	2,053,885	871,430	414,445	474,627	60,182
Total Revenues	12,988,310	13,800,948	812,638	1,123,600	1,357,936	234,336
EXPENDITURES :						
Instruction	8,836,287	8,609,501	226,786	0	0	0
Support Services	5,378,594	4,560,504	818,090	710,000	116,914	593,086
Non-Instructional Services	0		0	932,485	875,817	56,668
Facilities Acquisition & Construction Services			0	1,025,948	241,317	784,631
Other Outlays	5,106	2,449	2,657	500	375	125
Repayments	300	148	152	2,000	395	1,605
Total Expenditures	14,220,287	13,172,602	1,047,685	2,670,933	1,234,818	1,436,115
Revenues Over (Under) Expenditures	-1,231,977	628,346	1,860,323	-1,547,333	123,118	1,670,451
OTHER FINANCING SOURCES (USES):						
Return of Assets	0	49,122	49,122		375	375
Estopped Warrants	0	558	558			0
Bank Charges			0		-3,540	-3,540
Deobligation of Prior Year Funds	0	39,558	39,558		14,595	14,595
Total Other Financing Sources (Uses)	0	89,238	89,238	0	11,430	11,430
Revenue and Other Sources Over (Under) Expenditures and Other Uses	-1,231,977	717,584	1,949,561	-1,547,333	134,548	1,681,881
Fund Balance, Beginning of Year	1,231,977	1,231,977	0	1,547,333	1,547,333	0
Fund Balance, End of Year	\$0	1,949,561	1,949,561	0	1,681,881	1,681,881

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

NOTES TO FINANCIAL STATEMENTS

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Harrah Public Schools Independent District No. 7, Oklahoma 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.

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.

HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

B. Fund Accounting and Description of Funds – (continued)

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 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 is the District’s 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.

The Child Nutrition Fund derives monies from State, Federal and local sources.

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.

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.

HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

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 general purpose 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-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 payable 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.

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

C. Basis of Accounting and Presentation – (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 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 direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

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 are 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.

HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

E. Assets, Liabilities, and Fund Equity – (continued)

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

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

All fixed assets are valued at historical cost, or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation and accumulated depreciation are not reported against general fixed assets.

Compensated Absences – The district provides vacation and sick leave benefits in accordance with Oklahoma Statutes, which provides for annual sick leave and personal business days. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

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

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.

HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

F. Revenue, Expenses, and Expenditures – (continued)

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 require 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.

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 expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSIT AND INVESTMENT RISKS

Custodial Credit Risk - The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the District was not exposed to custodial credit as defined above.

Investment Credit Risk – The District's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District's investment policy requires diversification of investments.

At June 30, 2011, the District had no concentration of credit risk as defined above.

3. INTERFUND RECEIVABLES AND PAYABLES

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

4. GENERAL LONG-TERM DEBT

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

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

4. GENERAL LONG-TERM DEBT -(continued)

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

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

	Bonds <u>Payable</u>	<u>Total</u>
Balance, July 1, 2010	\$ 3,595,000	\$ 3,595,000
Additions	1,130,000	1,130,000
Retirements	1,225,000	1,225,000
Balance, June 30, 2011	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>

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

	<u>Amount Outstanding</u>
Independent School District No. 7 GOB Bonds, Series 2010, original issue \$1,130,000, interest rate of 1.600% to 1.350%, due in an annual installments of \$565,000, final payment of \$565,000 due June 1, 2013	\$1,130,000
Independent School District No. 7 Building Bonds, Series 2009, original issue \$810,000, interest rate of 1.750% to 2.40%, due in an annual installments of \$270,000, final payment of \$270,000 due June 1, 2013.	\$ 540,000
Independent School District No. 7 Building Bonds, Series 2006, original issue \$1,440,000, interest rate of 3.00% to 3.30%, due in an initial installment of \$285,000 and increments of \$385,000 per year, thereafter, with a final payment of \$385,000 due July 1, 2013	1,155,000
Independent School District No. 7 Building Bonds, Series 2007, original issue \$805,000, interest rate of 3.50% to 4.10%, due in an annual installments of \$200,000, final payment of \$205,000 due June 1, 2012.	205,000

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

4. GENERAL LONG-TERM DEBT - (continued)

Independent School District No. 7

Building Bonds, Series 2006, original issue

\$1,770,000, interest rate of 3.85% to 3.90%, due in an initial installment of \$360,000 and increments of \$470,000 per year, thereafter, with a final payment of \$470,000 due July 1, 2011.

470,000

TOTAL

\$3,500,000

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

Year ending June 30	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2012	1,895,000	71,454	1,966,454
2013	1,220,000	77,602	1,297,602
2014	385,000	12,022	397,022
	<u>\$ 3,500,000</u>	<u>\$ 161,078</u>	<u>\$ 3,661,078</u>

Interest expense on general long-term debt incurred during the current year totaled \$85,396.

5. EMPLOYEE RETIREMENT SYSTEM

The District participates in the state-administered Oklahoma Teachers' Retirement System (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 ten 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

**HARRAH SCHOOL DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5. EMPLOYEE RETIREMENT SYSTEM – (continued)

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, 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 Districts, 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 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 Teachers' Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

6. CONTINGENCIES

Amounts received or receivable from grantor 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

7. RISK MANAGEMENT AND LITIGATION

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, employees' 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.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2011, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$1,555,161</u>	<u>159,550</u>	<u>1,714,711</u>
Total Assets	<u><u>\$1,555,161</u></u>	<u><u>159,550</u></u>	<u><u>1,714,711</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Outstanding	<u>\$2,058</u>	<u>30,772</u>	<u>32,830</u>
Total Liabilities	<u>2,058</u>	<u>30,772</u>	<u>32,830</u>
Fund Equity:			
Reserved for Encumbrances	21,014	748	21,762
Fund Balance	<u>1,532,089</u>	<u>128,030</u>	<u>1,660,119</u>
Total Fund Equity	<u>1,553,103</u>	<u>128,778</u>	<u>1,681,881</u>
Total Liabilities and Fund Equity	<u><u>\$1,555,161</u></u>	<u><u>159,550</u></u>	<u><u>1,714,711</u></u>

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

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
Revenues:			
Local Sources	\$509,298	274,869	784,167
State Sources		99,142	99,142
Federal Sources		474,627	474,627
			<u>474,627</u>
Total Revenues Collected	<u>509,298</u>	<u>848,638</u>	<u>1,357,936</u>
Expenditures:			
Instruction	0		0
Support Services	116,914		116,914
Non-Instructional Services	0	875,817	875,817
Facilities Acquisition & Construction Services	241,317		241,317
Other Outlays	0	375	375
Repayments		395	395
			<u>395</u>
Total Expenditures	<u>358,231</u>	<u>876,587</u>	<u>1,234,818</u>
Excess of Revenues Over Expenditures	<u>151,067</u>	<u>-27,949</u>	<u>123,118</u>
Other Financing Sources (Uses):			
Bank Charges	-2,432	-1,108	-3,540
Estopped Warrants			0
Deobligation of Prior Year Funds	12,983	1,612	14,595
Return of Assets	0	375	375
			<u>375</u>
Total Other Financing Sources (Uses):	<u>10,551</u>	<u>879</u>	<u>11,430</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	161,618	-27,070	134,548
Fund Balance, Beginning of Year	<u>1,391,485</u>	<u>155,848</u>	<u>1,547,333</u>
Fund Balance, End of Year	<u>\$1,553,103</u>	<u>128,778</u>	<u>1,681,881</u>

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

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	Building Fund			Child Nutrition Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$344,463	509,298	164,835	262,443	274,869	12,426
State Sources			0	102,249	99,142	-3,107
Federal Sources			0	414,445	474,627	60,182
Total Revenues	344,463	509,298	164,835	779,137	848,638	69,501
EXPENDITURES :						
Instruction	0	0	0			0
Support Services	710,000	116,914	593,086			0
Operation of Non-Instructional Services	0	0	0	932,485	875,817	56,668
Facilities Acquisition & Construction Service	1,025,948	241,317	784,631			0
Other Outlays			0	500	375	125
Repayments			0	2,000	395	1,605
Total Expenditures	1,735,948	358,231	1,377,717	934,985	876,587	58,398
Revenues Over (Under) Expenditures	-1,391,485	151,067	1,542,552	-155,848	-27,949	127,899
OTHER FINANCING SOURCES (USES):						
Bank Charges		-2,432	-2,432	0	-1,108	-1,108
Estopped Warrant			0			0
Deobligation of Prior Year Funds		12,983	12,983	0	1,612	1,612
Return of Assets		0	0		375	375
Total Other Financing Sources (Uses)	0	10,551	10,551	0	879	879
Revenue and Other Sources Over (Under) Expenditures and Other Uses	-1,391,485	161,618	1,553,103	-155,848	-27,070	128,778
Fund Balance, Beginning of Year	1,391,485	1,391,485	0	155,848	155,848	0
Fund Balance, End of Year	\$0	1,553,103	1,553,103	0	128,778	128,778

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

HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	BOND FUND #31	BOND FUND #32	BOND FUND #33	BOND FUND #39	TOTALS (Memorandum Only)
<u>ASSETS</u>					
Cash and Cash Equivalents	\$17,123	303,940	0	0	321,063
Total Assets	<u>\$17,123</u>	<u>303,940</u>	<u>0</u>	<u>0</u>	<u>321,063</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants Outstanding	\$0	0	0	0	0
Total Liabilities	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity:					
Reserved for Encumbrances		0	0	0	0
Fund Balance	17,123	303,940	0	0	321,063
Total Fund Equity	<u>17,123</u>	<u>303,940</u>	<u>0</u>	<u>0</u>	<u>321,063</u>
Total Liabilities and Fund Equity	<u>\$17,123</u>	<u>303,940</u>	<u>0</u>	<u>0</u>	<u>321,063</u>

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

HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BOND FUND #31	BOND FUND #32	BOND FUND #33	BOND FUND #39	TOTALS (Memorandum Only)
Revenues:					
Local Sources			1,130,000		1,130,000
Total Revenues Collected	0	0	1,130,000	0	1,130,000
Expenditures:					
Facilities Acquisition & Constr. Srv.	440	52,836	1,130,000	117,866	1,301,142
Total Expenditures	440	52,836	1,130,000	117,866	1,301,142
Excess of Revenues Over Expenditures	-440	-52,836	0	-117,866	-171,142
Other Financing Sources (Uses):					
Deobligation of Prior Year Funds					0
Transfers					0
Total Other Financing Sources (Uses):	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-440	-52,836	0	-117,866	-171,142
Fund Balance, Beginning of Year	17,563	356,776	0	117,866	492,205
Fund Balance, End of Year	\$17,123	303,940	0	0	321,063

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

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND - HARRAH PUBLIC SCHOOLS
JULY 1, 2010 TO JUNE 30, 2011**

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
Administration	\$64,858.29	21,531.57	4,740.05	45,142.87	45,987.04
Clearing	0.00	35,397.40	14,130.86	49,528.26	0.00
Miscellaneous	2,368.22	0.00	0.00	0.00	2,368.22
Petty Cash	0.00	275.00	0.00	275.00	0.00
Indian Club	611.46	574.84	(140.00)	386.50	659.80
Banquet	94.57	0.00	0.00	0.00	94.57
Insurance	60.00	0.00	0.00	0.00	60.00
Bus Barn	332.55	19.59	0.00	74.00	278.14
HS Annual	3,881.86	9,082.00	3,500.00	7,161.71	9,302.15
HS Athletic	35,621.25	135,769.38	(1,280.45)	120,443.79	49,666.39
HS Sport Schedules	2,306.19	1,260.00	0.00	556.33	3,009.86
Basketball Booster	0.00	0.00	0.00	0.00	0.00
HS Spirit Booster Club	27.96	0.00	0.00	0.00	27.96
HS Ftbl/WGTLFTG	0.30	0.00	0.00	0.00	0.30
HS Vocal Music	192.99	3,911.01	(37.50)	4,020.03	46.47
HS Concession	10,602.15	35,259.29	(11,471.90)	21,079.98	13,309.56
HS FFA	26,671.45	55,369.77	(640.00)	52,506.76	28,894.46
HS FCCLA	91.82	350.75	129.45	538.74	33.28
HS Harrah Qtrback Club	200.34	8,050.56	40.00	8,089.90	201.00
HS Library	205.83	843.95	0.00	636.20	413.58
HS Natl Honor Society	1,046.57	771.00	(103.50)	1,627.48	86.59
HS Takedown Club	3,670.48	1,891.93	117.00	3,801.37	1,878.04
HS Homerun Booster Club	2,542.80	9,754.61	59.57	11,012.47	1,344.51
Harrah Art & Graphics	496.00	1,584.61	2,775.00	3,590.67	1,264.94
HS Special	8,815.68	22,791.38	(1,601.94)	16,052.20	13,952.92
HS Speech	147.66	274.00	54.00	413.00	62.66
HS Student Council	2,082.83	0.00	72.00	546.27	1,608.56
HS FBLA	67.28	0.00	0.00	0.00	67.28
HS Foreign Lang	99.72	0.00	0.00	0.00	99.72
HS Leo Club	520.94	0.00	0.00	0.00	520.94
HS Art	555.19	1,038.00	797.00	2,216.32	173.87
HS Cheerleader	0.00	0.00	0.00	0.00	0.00
HS Tennis Booster	746.73	0.00	800.00	709.54	837.24
HS Cross Country	2,178.59	3,950.00	261.50	3,889.97	2,500.12
Class of '10	605.25	0.00	(605.25)	0.00	0.00

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND - HARRAH PUBLIC SCHOOLS
JULY 1, 2010 TO JUNE 30, 2011**

	Balance <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	Balance <u>6/30/11</u>
HS Class of '13	0.00	4,542.40	(260.00)	2,281.97	2,000.43
Class of 2011	7,028.33	4,323.90	(3,483.75)	7,491.53	376.95
HS Band Booster	4,040.06	4,870.50	(287.00)	5,113.49	3,510.07
HS Pepa	62.48	0.00	0.00	0.00	62.48
HS Kickers Booster Club	1,712.80	3,675.00	0.00	5,091.02	296.78
HS Softball Booster	431.13	0.00	528.00	284.00	675.13
HS Swim Booster Club	3,831.26	11,244.15	1,073.75	11,859.46	4,289.70
HS Harrah Tip-in Club	2.21	735.29	200.00	937.50	0.00
HS Dance Team	0.00	0.00	0.00	0.00	0.00
HS Math/Acctg	186.38	365.00	0.00	425.03	126.35
HS Chemistry Club	713.44	580.50	27.00	691.54	629.40
HS Golf	469.94	72.00	100.00	545.82	96.12
HS Play Production	1,910.18	3,629.73	0.00	3,991.92	1,547.99
Class of '2012	1,205.56	11,399.45	1,027.50	6,293.79	7,338.72
Class of '04	0.00	0.00	0.00	0.00	0.00
HS Scholars	256.25	0.00	0.00	0.00	256.25
HS Chess Club	74.69	0.00	0.00	0.00	74.69
HS Key Club	1,263.88	2,321.61	62.50	2,366.28	1,281.71
MS Special	5,041.21	9,335.59	(1,445.00)	8,380.32	4,551.48
MS Athletic	9,378.59	33,477.14	(5,868.35)	29,602.57	7,384.81
MS Band	449.64	5,592.70	(300.00)	3,656.31	2,086.03
MS Leadership Retreat	348.64	2,094.62	0.00	2,189.36	253.90
MS Skills	15.67	300.00	0.00	299.00	16.67
MS Student Council	1,087.38	2,974.75	(75.00)	2,927.28	1,059.85
MS Vocal Music	59.77	3,344.36	100.00	3,365.82	138.31
MS Library	458.44	3,254.11	0.00	3,400.91	311.64
MS Computer Club	7.88	0.00	0.00	0.00	7.88
MS Honors	9.77	5.85	0.00	0.00	15.62
MS Scholar's Club	7.00	0.00	0.00	0.00	7.00
HMS Cheerleaders	226.63	0.00	0.00	0.00	226.63
MS FCA	1,160.54	3,110.31	(218.00)	3,174.65	878.20
MS Yearbook	839.19	6,474.90	0.00	6,997.52	316.57
HMS Art Club	608.48	0.00	0.00	586.41	22.07
HMS SAP	993.20	2,309.40	(205.00)	2,505.87	591.73
HMS Science	201.50	0.00	0.00	0.00	201.50

HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND - HARRAH PUBLIC SCHOOLS
JULY 1, 2010 TO JUNE 30, 2011

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
HMS Acad Team	925.44	160.00	0.00	345.00	740.44
Elem II RB	20.53	240.63	0.00	228.74	32.42
Elem Stu Store RB	1,650.51	6,415.22	0.00	7,246.78	818.95
Elem Stu Aid RB	673.78	300.00	0.00	25.00	948.78
Elem Yearbook RB	0.00	13.12	0.00	0.00	13.12
Elem Media RB	1,746.76	7,847.85	0.00	8,162.23	1,432.38
Elem Special RB	2,112.29	16,991.94	0.00	18,895.79	208.44
Elem Stuco RB	699.43	523.90	0.00	850.09	373.24
Elem Special CR	1,941.77	31,502.80	(4,415.88)	26,508.66	2,520.03
Elem II CR	634.81	687.92	0.00	780.75	541.98
Elem Media CR	390.36	6,074.99	1,698.84	7,200.52	963.67
CR Yearbook	5,852.89	10,620.50	3,035.00	14,023.71	5,484.68
Elem Special VS	0.00	0.00	0.00	0.00	0.00
Elem Media VS	4,111.49	5,693.73	2,350.40	9,008.85	3,146.77
Elem Coke VS	21,964.85	39,500.07	(2,541.36)	43,394.31	15,529.25
Elem Benevolence	480.00	0.00	0.00	0.00	480.00
VS AT&T	0.14	0.00	0.00	0.00	0.14
HARC	1,617.16	775.00	1,150.00	2,552.75	989.41
JH Special	4,989.35	14,435.31	(2,213.35)	13,194.57	4,016.74
JH Athletics	10,708.76	17,407.77	(4,468.68)	14,988.29	8,659.56
JH TSA	3.02	3,010.75	0.00	2,994.60	19.17
JH FCA	12.01	693.65	100.00	364.58	441.08
JH Art	0.00	615.00	37.50	0.00	652.50
JH Bandboosters	0.00	0.00	1,684.94	0.00	1,684.94
JH Yearbook	538.96	6,692.36	689.45	5,553.25	2,367.52
JH Student Council	1,225.29	1,866.42	(300.00)	1,989.01	802.70
JH Media Center	231.74	370.00	14.00	72.04	543.70
Freshman Class	2.00	785.00	41.75	560.00	268.75
JH NJHS	546.70	1,205.24	300.00	1,591.85	460.09
JH Cheerleader	36.68	0.00	0.00	0.00	36.68
JH Basketball	214.84	0.00	0.00	15.00	199.84
JH Scholars Club	96.73	0.00	0.00	0.00	96.73
JH Harrah Powerlifting	0.00	0.00	0.00	0.00	0.00
JH Life Sports/PE	76.87	1,556.00	0.00	1,220.98	411.89
JH Chess Club	31.09	0.00	0.00	0.00	31.09
JH Science Club	1,563.83	0.00	0.00	0.00	1,568.83
JH SAP	547.77	699.00	100.00	1,009.10	337.67
JH Vocal Music	42.00	0.00	0.00	0.00	42.00
JH Geometry	4.13	531.44	0.00	525.07	10.50
JH French Club	13.24	368.86	0.00	299.22	82.88
JH Newspaper	1.21	265.00	0.00	260.00	6.21
JH Concession	1,702.04	0.00	164.85	428.59	1,438.30
TOTAL	\$283,200.59	647,633.37	(0.00)	653,048.06	277,785.90

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	OCAS Project Number	Federal CFDA Number	Program or Award Amount	Cash/ Beginning Balance at July 1, 2010	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2011
U.S. Department of Education:							
Direct Programs							
Indian Education	561	84.060A	\$107,050.00		97,039.00	107,050.00	(10,011.00)
Drug Free	770	84.186	81,655.65		56,946.60	75,530.07	(18,583.47)
Sub-total			188,705.65	0.00	153,985.60	182,580.07	-28,594.47
Passed through the Department of Education							
Title I	511	84.010	372,644.13		328,462.61	328,462.61	0.00
Title I - Prior Year	799	84.010		(19,749.35)	19,749.35		0.00
Title 1 Part A-3 Month	512	84.010	4,623.61		4,623.61	4,623.61	0.00
Title 1 Part A LEA	515	84.010	119,792.28		106,790.80	106,790.80	0.00
Title I - ARRA	516	84.389	73,815.53	0.00	73,815.53	73,815.53	0.00
Title II, Part A Transferability	511	84.367	28,167.61		28,167.61	28,167.61	0.00
Title II, Part A	541	84.367	151,852.03		1,099.56	1,099.56	0.00
Title II, Part A - Prior Year	799	84.367		0.00	0.00		0.00
Title Title II, Part D	546	84.318	934.23		934.23	934.23	0.00
Title II, Part D	799	84.318		(2,544.06)	2,544.06	0.00	0.00
Title II, Part D	548	84.318	310.33		0.00	0.00	0.00
Title IV, Part A	551	84.186	4,425.09		1,729.96	1,729.96	0.00
Title IV, Part A Prior	799	84.186		(2,126.32)	2,126.32		0.00
Project Echo	615	84.027	5,500.00		0.00	1,250.95	(1,250.95)
Title I A, CAC	786	84.010	23,400.00		18,732.44	18,732.44	0.00
Title II A CAC	786	84.367	3,359.68		3,359.66	3,359.66	0.00
Title IDEA Flow Through	621	84.027	488,972.96		464,507.42	464,507.42	0.00
IDEA-B Flow Through - ARRA	622	84.391	209,213.63	0.00	209,213.63	209,213.63	0.00
IDEA-B Flow Through - ARRA Prior	799	84.391		(1,861.05)	1,861.05	0.00	0.00
IDEA-B Flow Through Private	625	84.027	2,198.51		2,198.51	2,198.51	0.00
Pre-School	641	84.173	22,188.41		11,477.43	11,477.43	0.00
Pre-School - ARRA	643	84.392	5,770.13		5,770.13	5,770.13	0.00
Pre-School - ARRA	643	84.392				0.00	0.00
Foundation & Salary Incentive - ARRA	782	84.394	464,364.00		464,364.00	464,364.00	0.00
Education Jobs Fund	790	84.410	135,774.61		117,183.52	117,183.52	0.00
Sub-total			2,117,306.77	(26,280.78)	1,868,711.43	1,843,681.60	(1,250.95)
Passed Through Department of Vocational and Technical Education:							
Carl Perkins Vocational and Applied Technology	421	84.048	14,804.00		14,803.90	14,803.90	0.00
Rehabilitation Services	456	84.126	978.75		978.75	978.75	0.00
Sub-total			15,782.75	0.00	15,782.65	15,782.65	0.00
U.S. Department of Interior							
Passed Through the State Department of Vo-Tech							
Johnson O'Malley Program	563	15.130	15,405.00		15,405.00	15,405.00	0.00
U.S. Department of Agriculture							
Passed Through State Department of Education							
Commodities	385	10.550	53,171.00		53,171.00	53,171.00	0.00
National School Lunch	385	10.555	360,085.02		360,085.02	360,085.02	0.00
School Breakfast	385	10.553	114,542.10		114,542.10	114,542.10	0.00
Sub-total			527,798.12	0.00	527,798.12	527,798.12	0.00
Total Federal Assistance			\$2,864,998.29	(26,280.78)	2,581,682.80	2,585,247.44	(29,845.42)

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Harrah Public Schools District and is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

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

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF STATUTORY, FIDELITY, AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2011**

David Harp - Treasurer

Employee Dishonesty Bond
Policy No. DRS1075935
\$100,000.00 Limit
Effective: From July 1, 2010 to June 30, 2011

Dean Hughes – Superintendent

Employee Dishonesty Bond
Policy No. LSM0116471
\$100,000.00 Limit
Effective: From July 1, 2010 to June 30 2011

Employee Dishonesty Bond – Position Bond
Policy No. 1825287
\$1,000.00 Limit
Effective July 1, 2010 to June 20, 2011

Employee Dishonesty Bond
OSIG – Policy No. RCN20090359401
\$10,000 Limit
Effective: From July 1, 2010 to July 1, 2011

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

**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
Harrah School District No. 7
Oklahoma County, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrah School District No. 7, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2011, which collectively compromise the District's financial statements and have issued our report thereon dated November 29, 2011. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the District has elected to prepare its financial statements in conformity with a regulatory basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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 prescribed 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 the District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Harrah School District No. 7 in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of management, the audit committee and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Putnam & Company".

Putnam & Company, PLLC

Edmond, Oklahoma
November 29, 2011

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

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Report on Compliance with Requirements Applicable to Each Major Program
and Internal Controls over Compliance In Accordance with
Office of Management and Budget Circular A-133

The Honorable Board of Education
Harrah School District No. 7
Oklahoma County, Oklahoma

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A *material weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies, pass-through entities, all applicable state agencies, and those other Governments from which financial assistance was received, and is not intended to be, and should not be, used by anyone other than these specified parties.


Putnam & Company, PLLC

Edmond, Oklahoma
November 29, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified due to regulatory basis presentation.

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No
* Significant Deficiency(ies) identified
not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to financial statement noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes X No
* Significant Deficiency(ies) identified
not considered to be material weakness(es)? Yes X None Reported

Type of auditors' report issued on compliance for
Major programs:

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with section 510 (a)
of OMB Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program

84.010
84.027
84.394
10.555

Title I
IDEA Flowthrough
Foundation & Salary ARRA
Child Nutrition

Dollar threshold used to distinguish between type
A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Findings Relating to the Financial Statements

None

Section III – Findings and Questioned Costs for Federal Awards

N/A

Section IV – Status of Prior Year Audit Findings

None related to the financial statements or questioned costs for federal awards.

Section V – Management's Corrective Action Plan

N/A

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

Schedule of Accountants' Professional Liability Insurance Affidavit For the Year Ending June 30, 2011



MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

fax (405) 348-7965

November 29, 2011

The Honorable Board of Education
Harrah School District No. 7
Oklahoma County, Oklahoma


We have audited financial statements of Harrah School District No. 7, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated November 29, 2011. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 29, 2011 on the financial statements of Harrah School District No. 7.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Putnam", written in dark ink.

Jerry W. Putnam

**HARRAH SCHOOL DISTRICT NO. 7
OKLAHOMA COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS

The prior year's comments have been addressed and resolved.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS

REVIEW OF PURCHASE ORDERS AND PAYMENTS

Our review of the purchase orders indicated that in almost every instance the purchase orders were properly approved and supported with adequate documentation.

REVIEW OF ACTIVITY FUND TRANSACTIONS

During our review of the Activity Fund transactions we noted that the transactions were well documented. However, we noted the following findings during our review:

<u>Findings</u>	<u>No. of Instances</u>
Paid by a statement	1

We noted that several Activity Fund checks had not cleared the District's bank account as of June 30, 2011. We determined that 46 checks (totaling \$1,767.68) should be cancelled and added back to the appropriate Activity Fund Subaccount(s).

Those checks were issued through a previous software program, and they should no longer be considered as negotiable instruments according to the pertinent Statute of limitations.

DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.