

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42,
STEPHENS COUNTY, OKLAHOMA**

JUNE 30, 2011

Audited by

**JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK**

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42
STEPHENS COUNTY, OKLAHOMA
JUNE 30, 2011**

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BRAY-DOYLE SCHOOL DISTRICT NO. I-42
STEPHENS COUNTY, OKLAHOMA
JUNE 30, 2011

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**BRAY-DOYLE SCHOOL DISTRICT NO. I-42
STEPHENS COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

BOARD OF EDUCATION

President	Karl Shackelford
Vice-President	Wilroy Keck
Clerk	Brian Bearce
Member	John Williamson
Member	Larry Osborne

SUPERINTENDENT OF SCHOOLS

Kevin McKinley

MINUTES CLERK

Amanda Brady

SCHOOL DISTRICT TREASURER

D.B. Green



Jack H. Jenkins, CPA *A Professional Corporation*
INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Bray-Doyle School District No. I-042
Marlow, Oklahoma 73055-8957

I have audited the accompanying regulatory basis financial statements of Bray-Doyle School District No. I-042, Marlow, 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 the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, 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.

Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District'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 all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bray-Doyle School District No. I-042, Marlow, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, 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, where applicable, of Bray-Doyle School District No. I-042, Marlow, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 5, 2012, on my consideration of the District's internal control over financial reporting and my 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 my 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 my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Bray-Doyle School District No. I-042's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins
Certified Public Accountant, P.C.

March 5, 2012

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

**INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2011**

ASSETS	GOVERNMENTAL FUND TYPES				CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE					
Cash	\$ 547,917	49,369	6,823	190,137	38,640		832,886	
Amounts available in debt service						6,823	6,823	
Amounts to be provided for retirement of general long-term debt						428,177	428,177	
Total Assets	<u>547,917</u>	<u>49,369</u>	<u>6,823</u>	<u>190,137</u>	<u>38,640</u>	<u>435,000</u>	<u>1,267,886</u>	

LIABILITIES AND FUND EQUITY

Liabilities							
Warrants payable	178,492	8,786		4,800			192,078
Encumbrances	3,809			45,000			48,809
Funds held for school organizations					38,640		38,640
Long-term debt:							
Bonds payable						435,000	435,000
Total liabilities	<u>182,301</u>	<u>8,786</u>		<u>49,800</u>	<u>38,640</u>	<u>435,000</u>	<u>714,527</u>
Fund Equity							
Cash fund balances	365,616	40,583	6,823	140,337			553,359
Total Liabilities and Fund Equity	<u>\$ 547,917</u>	<u>49,369</u>	<u>6,823</u>	<u>190,137</u>	<u>38,640</u>	<u>435,000</u>	<u>1,267,886</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
 JUNE 30, 2011

	GOVERNMENTAL FUND TYPES					TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		
Revenues						
Local sources	\$ 638,877	291,710	5,988	407		936,575
Intermediate sources	71,167					71,167
State sources	2,118,987	3,563				2,122,550
Federal sources	323,706	116,054				439,760
Non-revenue receipts	38,259	23,905				62,164
Total revenues	<u>3,190,996</u>	<u>435,232</u>	<u>5,988</u>	<u>407</u>		<u>3,632,216</u>
Expenditures						
Instruction	1,974,574					1,974,574
Support services	1,123,566	311,473		294,821		1,729,860
Operation of non-instructional services	63,262	144,154				207,416
Other outlays	44,946	38,000				82,946
Other uses	4,553					4,553
Total expenditures	<u>3,210,901</u>	<u>493,627</u>		<u>294,821</u>		<u>3,999,349</u>
Revenues over (under) expenditures	(19,905)	(58,395)	5,988	(294,414)		(366,726)
Other financing sources (uses)						
Lapsed appropriations	4,257	37,489				41,746
Estopped warrants	1,317	2				1,319
Bond proceeds				435,000		435,000
Bank fees	(50)			(250)		(300)
Total other financing sources (uses)	<u>5,524</u>	<u>37,491</u>		<u>434,750</u>		<u>43,015</u>
Revenue and other sources over (under) expenditures and other uses	(14,381)	(20,904)	5,988	140,336		111,039
Cash fund balance, beginning of year	379,997	61,487	835	1		442,320
Cash fund balance, end of year	\$ 365,616	40,583	6,823	140,337		553,359

The notes to the combined financial statements are an integral part of this statement. 7-

**INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - BUDGETED GENERAL FUND
 JUNE 30, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 546,363	546,363	638,877
Intermediate sources	65,125	65,125	71,167
State sources	2,055,029	2,055,029	2,118,987
Federal sources	198,411	198,411	323,706
Non-revenue receipts			38,259
Total revenues	<u>2,864,928</u>	<u>2,864,928</u>	<u>3,190,996</u>
Expenditures			
Instruction			1,974,574
Support services			1,123,566
Operation of non-instructional services			63,262
Other outlays			44,946
Other uses			4,553
Non-categorical	3,244,925	3,244,925	
Total expenditures	<u>3,244,925</u>	<u>3,244,925</u>	<u>3,210,901</u>
Revenues over (under) expenditures	(379,997)	(379,997)	(19,905)
Other financing sources (uses)			
Lapsed appropriations			4,257
Estopped warrants			1,317
Bank fees			(50)
Total other financing sources (uses)			<u>5,524</u>
Revenue and other sources over (under) expenditures and other uses	(379,997)	(379,997)	(14,381)
Cash fund balance, beginning of year	<u>379,997</u>	<u>379,997</u>	<u>379,997</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>365,616</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
 JUNE 30, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 271,307	271,307	291,710
State sources			3,563
Federal sources	114,500	114,500	116,054
Non-revenue receipts	39,800	39,800	23,905
Total revenues	425,607	425,607	435,232
Expenditures			
Support services			311,473
Operation of non-instructional services	204,768	204,768	144,154
Other outlays			38,000
Non-categorical	318,646	318,646	
Total expenditures	523,414	523,414	493,627
Revenues over (under) expenditures	(97,807)	(97,807)	(58,395)
Other financing sources (uses)			
Lapsed appropriations			37,489
Estopped warrants			2
Total other financing sources (uses)			37,491
Revenue and other sources over (under) expenditures and other uses	(97,807)	(97,807)	(20,904)
Cash fund balance, beginning of year	97,807	97,807	61,487
Cash fund balance, end of year	\$ -	-	40,583

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

**INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - DEBT SERVICE FUNDS
 JUNE 30, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources			5,988
Expenditures			
Other outlays			
Debt service			-
Revenues over (under) expenditures			5,988
Cash fund balance, beginning of year	\$ 835	835	835
Cash fund balance, end of year	\$ 835	835	6,823

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

**NOTES TO COMBINED FINANCIAL STATEMENTS -
REGULATORY BASIS**

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The basic financial statements of the Bray-Doyle Public Schools, District No. I-42 (the "District") have been prepared in conformity with another 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. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting

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 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 funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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

**BRAY-DOYLE SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting - contd.

school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2010-11 fiscal year.

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.

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 (including judgments) 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 Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting - contd.

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 a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds 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 funds during the 2010-11 fiscal year.

Gifts and Endowments Fund - The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

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 fixed assets.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **Summary of Significant Accounting Policies-** contd.

B. *Fund Accounting* - contd.

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 other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis 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.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

C. Basis of Accounting and Presentation – contd.

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires 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 first 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 - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of 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;

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies- contd.

E. Assets, Liabilities and Fund Equity – contd.

and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

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

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

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies- contd.

E. Assets, Liabilities and Fund Equity- contd.

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

F. Revenue 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. 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. 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 owned. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

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.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures- contd.

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 and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

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 expenditures include 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 co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **Summary of Significant Accounting Policies- contd.**

F. Revenue and Expenditures - contd.

machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures - Support services expenditures 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 the 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.

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) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/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. Nonrecurring or nonroutine permanent transfers of equity are

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures - contd.

reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The only transfer was to close the 2005 building bond fund into the 2010 bond.

2. **Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$832,886 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law 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 deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

2. Deposits and Investments – cont'd

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no investments at June 30, 2011.

3. 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 of the date of issue.

General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from the fund balance and the 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 Payable
Balance, July 1, 2010	\$ 0
Additions	435,000
Retirements	<u>0</u>
Balance, June 30, 2011	<u>\$ 435,000</u>

A brief description of the outstanding long-term debt at June 30, 2011 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
General Obligation Bonds, Series 2010, original issue \$435,000, interest rate of 1.2%-2.0%, due in an initial installment of \$90,000 beginning 8-01-12, annual installments thereafter of \$115,000, final payment due 8-01-15;	<u>\$ 435,000</u>

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

3. General Long-term Debt – contd.

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 0	10,504	10,504
2013	90,000	6,463	96,463
2014	115,000	5,089	120,089
2015	115,000	3,278	118,278
2016	<u>115,000</u>	<u>1,150</u>	<u>116,150</u>
Totals	\$ <u>435,000</u>	<u>26,484</u>	<u>461,484</u>

There was no interest paid on general long-term debt incurred during the current year.

4. Employee Retirement System

Plan Description

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

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

**BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

4. Employee Retirement System – contd.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$161,475, \$190,707 and \$174,445, respectively.

Schedule of Funding Progress (dollars in millions) (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2005	\$ 6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	\$ 9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

BRAY-DOYLE SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. 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.

6. 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; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY
BASIS - COMBINING FINANCIAL STATEMENTS**

INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
Cash	\$ 15,085	34,284	49,369
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Warrants payable	39	8,747	8,786
Fund Equity			
Cash fund balances	<u>15,046</u>	<u>25,537</u>	<u>40,583</u>
Total Liabilities and Fund Equity	<u>\$ 15,085</u>	<u>34,284</u>	<u>49,369</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2011

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
Revenues			
Local sources	\$ 278,006	13,704	291,710
State sources	5	3,558	3,563
Federal sources		116,054	116,054
Non-revenue receipts		23,905	23,905
Total revenues	<u>278,011</u>	<u>157,221</u>	<u>435,232</u>
Expenditures			
Support services	311,473		311,473
Operation of non-instructional services		144,154	144,154
Other outlays		38,000	38,000
Total expenditures	<u>311,473</u>	<u>182,154</u>	<u>493,627</u>
Revenues over (under) expenditures	(33,462)	(24,933)	(58,395)
Other financing sources (uses)			
Lapsed appropriations	37,489		37,489
Estopped warrants		2	2
Total other financing sources (uses)	<u>37,489</u>	<u>2</u>	<u>37,491</u>
Revenue and other sources over (under) expenditures and other uses	4,027	(24,931)	(20,904)
Cash fund balance, beginning of year	<u>11,019</u>	<u>50,468</u>	<u>61,487</u>
Cash fund balance, end of year	<u>\$ 15,046</u>	<u>25,537</u>	<u>40,583</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2011

	BUILDING FUND		CHILD NUTRITION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 271,307	271,307	278,006			13,704
State sources			5			3,558
Federal sources				\$ 114,500	114,500	116,054
Non-revenue receipts				39,800	39,800	23,905
Total revenues	271,307	271,307	278,011	154,300	154,300	157,221
Expenditures						
Support services			311,473			
Operation of non-instructional services				204,768	204,768	144,154
Other outlays						38,000
Non-categorical	318,646	318,646				
Total expenditures	318,646	318,646	311,473	204,768	204,768	182,154
Revenues over (under) expenditures	(47,339)	(47,339)	(33,462)	(50,468)	(50,468)	(24,933)
Other financing sources (uses)						
Lapsed appropriations			37,489			
Estopped warrants						2
Total other financing sources (uses)			37,489			2
Revenue and other sources over (under) expenditures and other uses	(47,339)	(47,339)	4,027	(50,468)	(50,468)	(24,931)
Cash fund balance, beginning of year	47,339	47,339	11,019	50,468	50,468	50,468
Cash fund balance, end of year	\$ -	-	15,046	\$ -	-	25,537

**INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
 JUNE 30, 2011**

	<u>2010 BUILDING BOND FUND</u>	<u>2010 TRANSPORTATION BOND FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	<u>182,976</u>	<u>7,161</u>	<u>190,137</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Warrants payable	4,800		4,800
Encumbrances	<u>45,000</u>		<u>45,000</u>
Total liabilities	<u>49,800</u>		<u>49,800</u>
Fund equity			
Cash fund balances	<u>133,176</u>	<u>7,161</u>	<u>140,337</u>
Total Liabilities and Fund Equity	<u>\$ 182,976</u>	<u>7,161</u>	<u>190,137</u>

INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	2005 BUILDING BOND FUND	2010 BUILDING BOND FUND	2010 TRANSPORTATION BOND FUND	TOTALS
Revenues				
Local sources	\$ -	330	77	407
Expenditures				
Support Services	-	161,905	132,916	294,821
Revenues over (under) expenditures	-	(161,575)	(132,839)	(294,414)
Other financing sources (uses)				
Bank fees		(250)		(250)
Transfers in (out)	(1)	1		-
Bond sales proceeds		295,000	140,000	435,000
Total other financing sources (uses)	(1)	294,751	140,000	434,750
Revenue and other sources over (under) expenditures and other uses	(1)	133,176	7,161	140,336
Cash fund balance, beginning of year	1		-	1
Cash fund balance, end of year	\$ -	\$ 133,176	7,161	140,337

INDEPENDENT SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2011

	<u>AGENCY FUNDS</u>
	<u>ACTIVITY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 38,640</u>

LIABILITIES AND FUND EQUITY

Liabilities	
Funds held for school organizations	<u>\$ 38,640</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Athletics	\$ 3,573	18,513		17,710	4,376
Sports Concession	1,291	2,179		2,650	820
Pop	283	729		344	668
Elementary	10,358	16,150		13,250	13,258
FHA	735	2,736		1,905	1,566
FFA	7,347	36,058		38,264	5,141
After Prom Party	106	7,809		7,795	120
Yearbook	5,414	5,808		7,979	3,243
Cheerleaders	1,075	10,497		10,934	638
Interest Earned	-	78		78	-
Petty Cash	-	200		200	-
Vocal Music	1,252	5,083		5,374	961
Miscellaneous	2	13		13	2
Flower Fund	24	-		-	24
Drama	266	285		439	112
Lunch Fund	75	24,189		24,264	-
Boys Baseball	165	777		896	46
B-D Honor Society	168	-		-	168
Boys Basketball	195	1,422		1,331	286
Girls Basketball	1,183	4,117		5,213	87
Elementary Computer	3,282	-		510	2,772
Band	430	9,607		8,258	1,779
Girls Softball	497	250		657	90
Memorial Scholarship	200	-		-	200
Christmas Fund	2,338	2,725		2,876	2,187
Powerlifting	90	2,929		2,931	88
High School Account	216	362		570	8

TOTAL ASSETS - AGENCY FUNDS

<u>40,565</u>	<u>152,516</u>	<u>-</u>	<u>154,441</u>	<u>38,640</u>
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LIABILITIES AND FUND EQUITY

Funds held for
school organizations

<u>\$ 40,565</u>	<u>152,516</u>	<u>-</u>	<u>154,441</u>	<u>38,640</u>
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**INDEPENDENT SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Small, Rural School Ach. Program	84.358	S358A100240	\$ 30,812	-	30,812	30,812	-
Subtotal					30,812	30,812	-
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		65,385		22,792	65,384	(42,592)
Title II-Part A, REAP	84.367		21,153		21,153	21,153	
Title II-Part D, REAP	84.318		218		218	218	
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		48,339		48,339	48,339	
ARRA Education Stabilization Funds	84.394		111,438		111,112	111,112	
Education Jobs Fund	84.410		94,844		89,280	89,280	
Subtotal			341,377	-	292,894	335,486	(42,592)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				10,405	10,405	
<i>Non-Cash Assistance Subtotal</i>							
Cash Assistance:							
National School Lunch Program	10.555				79,961	79,961	
School Breakfast Program	10.553				36,093	36,093	
<i>Cash Assistance Subtotal</i>							
<i>Total For Program (Cluster)</i>							
				-	116,054	116,054	
				-	126,459	126,459	
Total Federal Assistance			\$ 372,189	-	450,165	492,757	(42,592)

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$10,405 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-42, STEPHENS COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety	Treasurer	69670287	\$25,000	3/1/11-3/1/12
	Minutes & Encumbrance Clerk	54708501	\$5,000	12/1/10-12/1/11



Jack H. Jenkins, CPA *A Professional Corporation*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Bray-Doyle School District No. I-042
Marlow, Oklahoma 73055-8957

I have audited the regulatory basis financial statements of Bray-Doyle School District No. I-042, Marlow, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated March 5, 2012. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I 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 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.

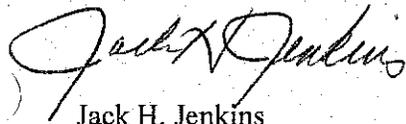
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I identified eight (8) deficiencies in internal control over financial reporting that I 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests eight (8) instances of noncompliance and/or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings. I also reported these matters to the District's management in a separate letter dated March 5, 2012.

The District's responses to the findings identified in my audit are described in the letter following the Schedule of Findings. I did not audit the District's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

March 5, 2012

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011

Findings – Financial Statement Audit

11-01 Bank Reconciliation

Condition: The school treasurer did not utilize the financial software provided by the school district in order to reconcile the bank statements on a monthly basis. The treasurer would receive a manually prepared check register for the month as provided by the encumbrance clerk, Kim Smith. Also, it was found that the School Board of Education received incorrect, incomplete and/or altered warrant registers that were approved at the school board meetings. Further, the receipts were not entered into the software by the treasurer.

An Agreed-Upon Procedures Report was prepared as of November 16, 2011 which includes examining the school records for altered checks, among other things, over a period from July 1, 2006 to June 30, 2011. This report has not been released due to a pending investigation by the Oklahoma State Auditor and Inspector's Office.

Criteria: Review the listing of outstanding checks provided by the school treasurer and determine the accuracy of those lists. Also, inquire as to the process of reconciling the outstanding checks and ensure the District is using the financial software properly.

Effect: Relying on second hand information, such as manually created warrant registers, for the reconciliation instead of the printouts from the school software can lead to misinformation. It was found that eight (8) checks during the 2010-11 fiscal year as listed on the school software were altered when they were provided to the treasurer for reconciliation. A listing of those discrepancies is as follows:

<u>Vendor</u>	<u>Check #</u>	<u>Amount in School Software</u>	<u>Amount of Cleared Check</u>	<u>Difference</u>
Walmart	90	\$ 2,445.36	445.36	2,000.00
Walmart	239	3,021.88	21.88	3,000.00
Walmart	369	3,435.92	435.92	3,000.00
Walmart	499	1,815.85	815.85	1,000.00
Scholastic	500	2,700.00	700.00	2,000.00
Walmart	890	3,023.36	23.36	3,000.00
AT&T	1343	3,489.23	489.23	3,000.00
Cotton Electric	1348	\$ 7,059.33	2,059.33	5,000.00
Total amount of checks altered				<u>\$ 22,000.00</u>

Recommendation: We recommend that the District Treasurer utilize the school treasurer's software to register and clear checks as well as enter the daily receipts and reconcile to the bank statements on a monthly basis.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011

Findings – Financial Statement Audit – contd.

11-02 Signed as Received

Condition: Several purchase orders had supporting documentation that were not signed as received.

Criteria: Supporting documentation should be signed or initialed and dated by a receiving agent of the District to signify that the goods or services have been received and payment can be made.

Effect: Invoices could be paid without goods or services being received.

Recommendation: That all invoices and/or delivery tickets are initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 § 310.1a and 70 O.S. 1981 § 5-135C)

11-03 Untimely Deposits

Condition: Several receipts to the activity fund do not appear to be deposited timely by the activity fund custodian.

Criteria: Cash collections over \$100 are required to be deposited within 24 hours and within one week for cumulative amounts under \$100 as referenced in the OCAS manual.

Effect: Large amounts of cash on hand increase the risk of loss due to theft.

Recommendation: We recommend that collections exceeding \$100 be deposited within 24 hours and at a minimum once a week at the District's financial institution regardless of amount on hand.

BRAY-DOYLE SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011

Findings – Financial Statement Audit – contd.

11-04 Purchase Orders

Condition: Several purchase orders were observed to be lacking adequate supporting documentation to justify the purchase.

Criteria: Board approved purchase orders should be filed, with all supporting documentation to justify the expense, attached as adequate supporting documentation.

Effect: Lack of supporting documentation could prevent the accounts payable clerk confirmation that all of the goods or services that were approved to be delivered have been in fact received.

Recommendation: We recommend that no warrant be processed for any purchase order until all documentation has been verified and the goods or services have been received and are attached to the corresponding purchase order.

11-05 Surety Bonds

Condition: The district treasurer and superintendent did not have surety bonds in the current fiscal year of at least \$100,000. Also, the activity fund custodian was not covered as required by the State Department of Education.

Criteria: In order to comply with House Bill 1592, surety bonds are required of the superintendent and the treasurer of the school district for at least \$100,000.

Effect: The District would not be insured in the case of fraud or malfeasance if a financial officer was not or could not be bonded.

Recommendation: I recommend that the District ensure that the Superintendent and the school treasurer maintain an annual surety bond of not less than \$100,000 as required by House Bill 1592 and that an activity fund custodian surety bond be maintained for no less than \$1,000.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011

Findings – Financial Statement Audit – contd.

11-06 Payroll Direct Deposits

Condition: The direct deposits were entered manually by the payroll clerk, Kim Brown, instead of uploading the ACH direct deposit file that is automatically processed by the school's accounting software. Also, there were some checks related to payroll that were manually entered in the direct deposit that should not have been part of that transaction. Those related checks include the "FICA fringe" checks that were processed for the school administrators; individual retirement account payments to SBG-VAA and Legacy HSA; and the "Bray-Doyle Christmas Savings account" deduction.

Criteria: Trace the direct deposit checks that are processed by the financial software to the bank statement to verify that there are no alterations to the transaction amount.

Effect: The \$22,000.00 in altered checks difference that was mentioned above in 11-01 was found to be direct deposited to the "Bray-Doyle Christmas Savings account" to offset the discrepancy. We observed that the payroll clerk executed this through the manual processing of the direct deposit.

Recommendation: I recommend that the District utilize the financial software's automatic ACH direct deposit file that only includes payroll for employees and any additional payroll transactions be processed outside of this entry.

11-07 FICA Fringe

Condition: We observed on the contracts for the superintendent and the principals that they were paid a "FICA fringe", which was the calculated amount of Social Security and Medicare taxes that were incurred on their calculated payroll each month.

Criteria: Review the school certified and non-certified contracts and determine that those employees tested are receiving what is stated on their contract and the proper amounts of taxes are calculated on those wages.

Effect: The "FICA fringe" compensation that was issued to the administrators was not taxed as required by the Internal Revenue Service. Although the District is allowed to pay an employee a "FICA fringe" as stated on their contracts, the calculated amount is a form of compensation that is subject to Social Security and Medicare taxes just like any other compensation.

BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011

Findings – Financial Statement Audit – contd.

11-07 FICA Fringe – contd.

Recommendation: I recommend that the District amend the W2s for all necessary years to reflect the correct amount of Social Security and Medicare wages for each of the employees who received the “FICA wages.” Also, I recommend the District pay any additional Social Security and Medicare taxes owed on these wages as soon as possible to avoid any additional penalties and interest.

11-08 Bray-Doyle Christmas Savings Account

Condition: We observed several checks issued to Bray-Doyle Public Schools during the processing of the payroll. Upon inquiry, it was found that these checks were deductions from employees paychecks to deposit into a sole savings account for safekeeping until prior to Christmas, when they are paid back to the teachers from cashier’s checks along with a portion of their calculated interest earnings. Also, there were checks processed as fringe benefits for unsuspecting employees that were also deposited into this account.

Criteria: Payroll deductions and/or savings plans for employees should only include those deductions that are approved by the School Board or on a properly administered Section 125 Cafeteria Plan.

Effect: The employees participating in this savings plan did not receive 1099-int’s to record the interest earnings for which they were required to pay taxes. Also, the fringe benefit checks that were processed through this account were not legitimate fringe benefits. This savings account also included the \$22,000 that was deposited through the manual direct deposits as mentioned in comment 11-06.

Recommendation: I recommend the District close this account immediately and discontinue the Christmas savings plan for employees.

**BRAY-DOYLE SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011**

There were no significant deficiencies reported in the prior year.

BRAY DOYLE SCHOOL DISTRICT NO. 1-42, STEPHENS COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma)
County of Tulsa)

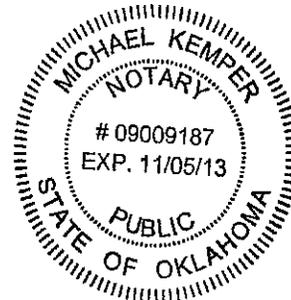
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Bray-Doyle School District for the audit year 2010-11.

Jack H. Jenkins, CPA, P.C.
AUDITING FIRM

BY *Jack H. Jenkins*
AUTHORIZED AGENT

Subscribed and sworn to before me on this
5th day of, March, 2012

Michael Kemper
NOTARY PUBLIC





Jack H. Jenkins, CPA *A Professional Corporation*

March 5, 2012

Bray-Doyle Public Schools
Attn: Mr. David Eads
1205 South Brooks Road
Marlow, OK 73055-8957

Dear Mr. Eads:

Listed below are audit exceptions and recommendations from the final audit work we performed for you. Please review it carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education and the Oklahoma State Auditor and Inspector's Office within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following contain exceptions relayed to management that are material weaknesses and which are included in the audit report. These comments require a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

11-01 Bank Reconciliation

Condition: The school treasurer did not utilize the financial software provided by the school district in order to reconcile the bank statements on a monthly basis. The treasurer would receive a manually prepared check register for the month as provided by the encumbrance clerk, Kim Smith. Also, it was found that the School Board of Education received incorrect, incomplete and/or altered warrant registers that were approved at the school board meetings. Further, the receipts were not entered into the software by the treasurer.

An Agreed-Upon Procedures Report was prepared as of November 16, 2011 which includes examining the school records for altered checks, among other things, over a period from July 1, 2006 to June 30, 2011. This report has not been released due to a pending investigation by the Oklahoma State Auditor and Inspector's Office.

Criteria: Review the listing of outstanding checks provided by the school treasurer and determine the accuracy of those lists. Also, inquire as to the process of reconciling the outstanding checks and ensure the District is using the financial software properly.

Effect: Relying on second hand information, such as manually created warrant registers, for the reconciliation instead of the printouts from the school software can lead to misinformation. It was found that eight (8) checks during the 2010-11 fiscal year as listed on the school software were altered when they were provided to the treasurer for reconciliation. A listing of those discrepancies is as follows:

<u>Vendor</u>	<u>Check #</u>	<u>Amount in School Software</u>	<u>Amount of Cleared Check</u>	<u>Difference</u>
Walmart	90	\$ 2,445.36	445.36	2,000.00
Walmart	239	3,021.88	21.88	3,000.00
Walmart	369	3,435.92	435.92	3,000.00
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AT&T	1343	3,489.23	489.23	3,000.00
Cotton Electric	1348	\$ 7,059.33	2,059.33	<u>5,000.00</u>

Total amount of checks altered \$ 22,000.00

Recommendation: We recommend that the District Treasurer utilize the school treasurer's software to register and clear checks as well as enter the daily receipts and reconcile to the bank statements on a monthly basis.

11-02 Signed as Received

Condition: Several purchase orders had supporting documentation that were not signed as received.

Criteria: Supporting documentation should be signed or initialed and dated by a receiving agent of the District to signify that the goods or services have been received and payment can be made.

Effect: Invoices could be paid without goods or services being received. Deficiencies noted are as follows:

- General fund purchase order numbers 15, 18, 164, 187, 196, 198 and 214
- Building fund purchase order numbers 56, 74, 80, 91, 98, 102, 119 and 127

Recommendation: That all invoices and/or delivery tickets are initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 § 310.1a and 70 O.S. 1981 § 5-135C)

11-03 Untimely Deposits

Condition: Several receipts to the activity fund do not appear to be deposited timely by the activity fund custodian.

Criteria: Cash collections over \$100 are required to be deposited within 24 hours and within one week for cumulative amounts under \$100 as referenced in the OCAS manual.

Effect: Large amounts of cash on hand increase the risk of loss due to theft.

Recommendation: We recommend that collections exceeding \$100 be deposited within 24 hours and at a minimum once a week at the District's financial institution regardless of amount on hand.

11-04 Purchase Orders

Condition: Several purchase orders were observed to be lacking adequate supporting documentation to justify the purchase.

Criteria: Board approved purchase orders should be filed, with all supporting documentation to justify the expense, attached as adequate supporting documentation.

Effect: Lack of supporting documentation could prevent the accounts payable clerk confirmation that all of the goods or services that were approved to be delivered have been in fact received. Discrepancies noted were general fund purchase order numbers 15, 18, 77, 214, 269 and building fund purchase order numbers 1 and 4. Also, the purchase orders and supporting documentation relating to the eight (8) altered checks, as mentioned above, were missing.

Recommendation: We recommend that no warrant be processed for any purchase order until all documentation has been verified and the goods or services have been received and are attached to the corresponding purchase order.

11-05 Surety Bonds

Condition: The district treasurer and superintendent did not have surety bonds in the current fiscal year of at least \$100,000. Also, the activity fund custodian was not covered as required by the State Department of Education.

Criteria: In order to comply with House Bill 1592, surety bonds are required of the superintendent and the treasurer of the school district for at least \$100,000.

Effect: The District would not be insured in the case of fraud or malfeasance if a financial officer was not or could not be bonded.

Recommendation: I recommend that the District ensure that the Superintendent and the school treasurer maintain an annual surety bond of not less than \$100,000 as required by House Bill 1592 and that an activity fund custodian surety bond be maintained for no less than \$1,000.

11-06 Payroll Direct Deposits

Condition: The direct deposits were entered manually by the payroll clerk, Kim Brown, instead of uploading the ACH direct deposit file that is automatically processed by the school's accounting software. Also, there were some checks related to payroll that were manually entered in the direct deposit that should not have been part of that transaction. Those related checks include the "FICA fringe" checks that were processed for the school administrators; individual retirement account payments to SBG-VAA and Legacy HSA; and the "Bray-Doyle Christmas Savings account" deduction.

Criteria: Trace the direct deposit checks that are processed by the financial software to the bank statement to verify that there are no alterations to the transaction amount.

Effect: The \$22,000.00 in altered checks difference that was mentioned above in 11-01 was found to be direct deposited to the "Bray-Doyle Christmas Savings account" to offset the discrepancy. We observed that the payroll clerk executed this through the manual processing of the direct deposit.

Recommendation: I recommend that the District utilize the financial software's automatic ACH direct deposit file that only includes payroll for employees and any additional payroll transactions be processed outside of this entry.

11-07 FICA Fringe

Condition: We observed on the contracts for the superintendent and the principals that they were paid a "FICA fringe", which was the calculated amount of Social Security and Medicare taxes that were incurred on their calculated payroll each month.

Criteria: Review the school certified and non-certified contracts and determine that those employees tested are receiving what is stated on their contract and the proper amounts of taxes are calculated on those wages.

Effect: The "FICA fringe" compensation that was issued to the administrators was not taxed as required by the Internal Revenue Service. Although the District is allowed to pay an employee a "FICA fringe" as stated on their contracts, the calculated amount is a form of compensation that is subject to Social Security and Medicare taxes just like any other compensation.

Recommendation: I recommend that the District amend the W2s for all necessary years to reflect the correct amount of Social Security and Medicare wages for each of the employees who received the "FICA wages." Also, I recommend the District pay any additional Social Security and Medicare taxes owed on these wages as soon as possible to avoid any additional penalties and interest.

11-08 Bray-Doyle Christmas Savings Account

Condition: We observed several checks issued to Bray-Doyle Public Schools during the processing of the payroll. Upon inquiry, it was found that these checks were deductions from employees paychecks to deposit into a sole savings account for safekeeping until prior to Christmas, when they are paid back to the teachers from cashier's checks along with a portion of their calculated interest earnings. Also, there were checks processed as fringe benefits for unsuspecting employees that were also deposited into this account.

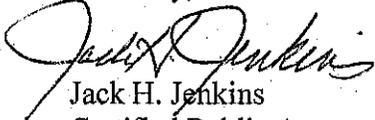
Criteria: Payroll deductions and/or savings plans for employees should only include those deductions that are approved by the School Board or on a properly administered Section 125 Cafeteria Plan.

Effect: The employees participating in this savings plan did not receive 1099-int's to record the interest earnings for which they were required to pay taxes. Also, the fringe benefit checks that were processed through this account were not legitimate fringe benefits. This savings account also included the \$22,000 that was deposited through the manual direct deposits as mentioned in comment 11-06.

Recommendation: I recommend the District close this account immediately and discontinue the Christmas savings plan for employees.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,



Jack H. Jenkins
Certified Public Accountant, P.C.

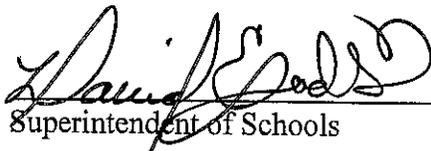
BRAY-DOYLE SCHOOL DISTRICT NO. I-42, STEPHENS COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2010 TO JUNE 30, 2011

The annual independent audit for the Bray-Doyle School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the District's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from its presentation, as stated in 70 O.S. § 22-108:

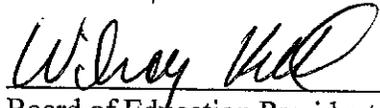
"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."



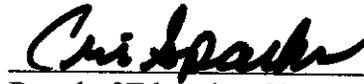
Superintendent of Schools

3-12-12

Date of Board Meeting



Board of Education President

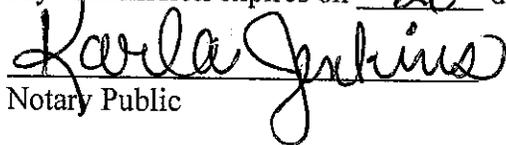


Board of Education Clerk



Board of Education Vice President

Subscribed and sworn to before me on this 12 day of March, 2012
My commission expires on 20 day of Nov, 2013



Notary Public

Affix Notary Seal





Bray-Doyle Public School

1205 South Brooks Road
Marlow, OK 73055
Toll Free: 1-866-933-3303

Carrie Garrett
Principal
580-658-5070

David Eads
Superintendent
580-658-5076

To whom it may concern:

The following statements are provided in response to the audit findings presented to the Bray-Doyle Board of Education.

11-01 Bank Reconciliation:

The Bray-Doyle Public School system contracted with TCA for Treasurer services for the 2011-2012 school year. The School Treasurer is Sherri Prentice. All outstanding checks are reviewed by both the School Treasurer and the Superintendent. The Board of Education is also provided a warrant register, and a list of all POs to compare. These are then gone over during a board meeting prior to approval. The Treasurer is reconciling cash to monthly bank statements in a timely manner, prior to each Board of Education meeting for that month, and has utilized the financial software provided by the school district in order to reconcile those bank statements on that monthly basis.

11-02 Signed as Received:

The Bray-Doyle Public School system, under new administration for the 2011-2012 school year has began a policy of initialing and dating all invoices and/or deliveries as they are received or as services are performed. Purchase order numbers for the General Fund - 15, 18, 164, 187, 196, 198 and 214, and purchase orders numbers for Building Fund - 56, 74, 80, 91, 98, 102, 119 and 127 took place prior to new administration within the district, and prior to the above mentioned policy being implemented to its fullest extent.

11-03 Untimely Deposits:

The Bray-Doyle Public School system has instructed the activity fund custodian to make deposits in a timely manner (collections exceeding \$100 dollars to be deposited within 24 hours, with deposits within one week on collections under \$100 dollars) The district is monitoring these deposits to ensure the activity fund custodian complies with this policy.

11-04 Purchase Orders:

The Bray-Doyle Public School system does not process any warrant unless all documentation has been verified, we are certain services and goods have been provided, and documentation is attached to the purchase order. This is the responsibility of the district's new encumbrance clerk, which was hired shortly after the beginning of the 2011-2012 school year.

11-05 Surety Bonds:

Upon discovery of the insufficiency in bond amounts the district had previously used, the new administration of the 2011-2012 school year, authorized and ensured the Superintendent, Treasurer and Encumbrance Clerk were all bonded for \$ 100,000 dollars each, and the Activity Fund Custodian for a minimum of \$1000 dollars.

11-06 Payroll Direct Deposits:

The Bray-Doyle School District hired a new Superintendent, Auditor, and Treasurer for the 2011-2012 school year. The former encumbrance clerk of the Bray-Doyle School District was relieved of duty upon discovery of the conditions which lead to this finding. The district hired a new Encumbrance Clerk and has since utilized the automatic ACH direct deposit for the purposes of monthly payroll only. Any additional payroll is processed outside of this system. The 'Christmas Savings Account' was also abolished upon its discovery, during the course of the investigation conducted by the school auditor and the new administration during the early part of the 2011-2012 school year.

11-07 FICA Fringe:

Beginning with the 2011-2012 school year, the Bray-Doyle Public School system quit paying FICA fringe to any administrative employee. The administrators of the district pay the Social Security and Medicare taxes associated with their payroll. The district is also in the process of amending the W2s for all necessary years to reflect the correct amount of Social Security and Medicare wages for each of the employees who received the FICA wages.

11-08 Bray Doyle Christmas Savings Account:

Upon the discovery of the Christmas Savings Account, the signature card holders were changed through BOE vote. This had to be done first, before the account could be closed. Once this was accomplished the account was immediately closed.

Sincerely;

David Eads, Superintendent
Bray-Doyle Public School