

**BASIC FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR
BROKEN ARROW SCHOOL DISTRICT NO. 1-3,
TULSA COUNTY, OKLAHOMA**

JUNE 30, 2011

Audited by
**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
JUNE 30, 2011

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Broken Arrow School District No. I-3
Broken Arrow, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund of the Broken Arrow School District No. I-3, (the District) Tulsa County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these basic financial statements were prepared using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the third paragraph, the basic financial statements – regulatory basis referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or the results of its operations for the year then ended.

However, in our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type of the District, as of June 30, 2011, and the revenues collected, expenditures paid and encumbered, changes in cash fund balances, 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 17, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis information on pages 3 to 9, and the budgetary comparison information on pages 44 to 53, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements – regulatory basis which collectively comprise the District's basic financial statements – regulatory basis. The combining fund statements, schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements – regulatory basis. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements – regulatory basis. The combining fund statements, schedules, other schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements – regulatory basis and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements – regulatory basis taken as a whole.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 17, 2011



This section of Broken Arrow Public Schools' (the District's) annual financial report presents a discussion and analysis of the financial performance during the fiscal year of July 1, 2010 through June 30, 2011. In order to gain a comprehensive understanding of the District's financial performance, this analysis is intended to supplement information presented in the financial statements and notes to the financial statements.

The Management's Discussion & Analysis (MD&A) is a required element of the annual financial report under the Governmental Accounting Standards Board (GASB) Statement No. 34 reporting model. Under this model, entities are required to adhere to certain standards of presentation for the financial statements, notes, and required supplementary information (RSI) that must be included within the annual financial report. The MD&A must be prepared by the District management staff, and it precedes the financial statements and notes. The purpose of the MD&A is to provide readers a user-friendly analysis of the district's operating results and financial position. Also, the MD&A includes a comparison to prior year results.

The Broken Arrow Public School district is considered a separate entity under Title 70 of the Oklahoma Statutes. The District is part of the Oklahoma public school system, and operates under the general direction and control of the State Board of Education. The District is governed by a five-member elected Board of Education, who in turn, appoint the superintendent to serve as the executive officer of the District.

Broken Arrow Public Schools is the sixth largest school district in the state of Oklahoma, and enrolls approximately 17,000 students. The District covers 116 square miles in Tulsa and Wagoner counties. Currently, district staff includes 1,183 certified teachers, 927 support staff, and 94 administrators. During 2010-11, school sites included 12 elementary schools (grades PK-5), 1 elementary (grades PK-2), 1 elementary (grades PK-4), 1 elementary (grades 3-5), 5 middle schools (grades 6-8), 2 intermediate high schools (grades 9-10) and one senior high school (grades 11-12). The District operates 139 buses, transporting approximately 50% of all students.

Financial Highlights

Financial highlights of FY 2010-11 include:

- The District experienced an increased General Fund balance from \$10,878,215 to \$18,541,590 an increase of \$7,663,735.
- The net assessed valuation (NAV) of the District grew 4% to \$680,968,660, despite the impact of the national and state recession. The resulting net growth generated approximately \$1 million in revenue for the General Fund, \$140,000 in revenue for the Building Fund, and an additional \$2.9 million in overall debt capacity.

Overview of Financial Statements

The annual financial report consists of three major components: the management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements consist of two types of financial statements: Government-wide financial statements and Fund financial statements.

Government-wide Financial Statements

The Government-wide financial statements are designed to present a broad overview of the District's finances, similar to the financial presentation of private sector businesses. These statements include the Statement of Net Assets, which includes assets, liabilities, and net assets – or the difference between the two. Over time, changes in the Statement of Net Assets will give an overall indication of growth (increases) or decline (decreases). Of course, other factors beyond the district's control should also be considered in assessing growth or decline over time.

The second element of the Government-wide financial statements is the Statement of Activities. This statement includes all current year revenues and expenditures, regardless of when cash is received or paid.

Fund Financial Statements

Fund financial statements provide detailed information about the various funds utilized by the District. Funds represent a group of related accounts that are grouped together for specific activities or objectives. Fund accounting requires that these related accounts be grouped together to insure compliance with legal restrictions on revenue by local, state, or federal sources. The District has two types of funds: governmental funds and fiduciary funds.

Governmental funds include most of the District's activities. These statements provide a short-term analysis of District operations and services. The Governmental fund statements help the reader determine if the District has more, or fewer, resources available to fund operations and services. Governmental funds include the General Fund, the Special Revenue Funds (Building and Child Nutrition Funds), the Debt Service (Sinking) Fund, and the Capital Projects (Bond) Funds.

Fiduciary funds are those over which the District serves as a trustee, or fiduciary, but actually are owned by others. The responsibility of the District is to make sure the funds are used for their intended purpose, and by those to whom they belong. These assets are excluded from district-wide financial statements because they cannot be used to fund operations. Fiduciary Funds include the Expendable Trust Funds (Gifts Fund and Endowments Fund) and Agency (Student Activity) Funds.

Government-wide Financial Analysis

Statement of Net Assets

As of June 30, 2011, the District's total net assets were \$131,507,405. The table below summarizes the total assets, total liabilities, and net assets over the two year period. The District's non-current assets are in the form of capital assets (land, buildings, and equipment). Net assets include fund balances reserved for capital projects and debt service, and the remaining unrestricted fund balances. These funds are utilized to maintain positive cash flow throughout the year, and to fund future capital projects and obligations.

The following table summarizes the assets, liabilities, and net assets for FY 2009-10 and FY 2010-11. The increase 16% in net assets of \$18,143,058 is a result of the increase in spending for capital projects, an increased fund balance in the General Fund, and conservative spending levels.

				<u>Governmental Activities</u>		
				<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>% Incr./(Decr.)</u>
Total Current Assets				64,960,211	81,394,248	25%
Total Non-Current Assets				<u>132,380,910</u>	<u>139,312,243</u>	<u>5%</u>
		Total Assets		197,341,121	220,706,491	12%
Total Current Liabilities				32,966,590	33,494,616	2%
Total Non-Current Liabilities				<u>61,010,183</u>	<u>55,704,470</u>	<u>9%</u>
		Total Liabilities		83,976,773	89,199,086	6%
Net Assets						
	Investment in capital assets, net of related debt			65,955,910	64,803,326	-2%
	Reserved for Capital Projects			16,741,243	26,233,999	57%
	Reserved for Debt Service			16,211,858	16,777,580	3%
	Unrestricted			<u>14,455,337</u>	<u>23,692,500</u>	<u>64%</u>
		Total Net Assets		<u>\$113,364,348</u>	<u>\$131,507,405</u>	<u>16%</u>

Statement of Activities

The Statement of Activities presents a district-wide summary of revenues and expenditures for the fiscal year. District-wide, the net assets increased by \$18,143,058 during 2010-11. The format of the presentation identifies expenditures by program areas (functions), and identifies to what extent those expenditures are offset by charges for services, operating grants, and contributions. The table on the following page reflects the Statement of Activities for the current and previous fiscal years.

Over the two year period, a number of shifts can be observed; the district made reductions to expenses that exceeded reductions in revenue to prepare for future revenue reductions. Additionally, in spite of the state economy local valuations increased and the district continued to see moderate student growth. The final result is an increase in net assets of 16%. This consistent increase in net assets reflects the District's philosophy of managing ongoing growth while maintaining financial stability through strong budgetary and spending controls.

	Governmental Activities			
	FY 2009-10	FY 2010-11	Increase/ (Decrease)	Percent Increase/ (Decrease)
Revenues				
Program Revenues:				
Charges for Services	4,660,506	3,864,331	-796,175	-17%
Operating Grants and Contributions	16,232,214	24,076,886	7,844,672	48%
General Revenues:				
Taxes				
Property Taxes, levied for gen. purposes	26,900,743	28,204,650	1,303,907	5%
Property Taxes, levied for debt service	18,234,448	18,799,415	564,967	3%
Other Taxes	7,641,379	7,933,296	291,917	4%
State aid not restricted to specific purposes	44,984,063	38,567,628	-6,416,435	-14%
County sources not rest. to specific purposes	3,760,192	3,891,556	131,364	3%
Interest earnings	247,515	367,898	120,383	49%
Miscellaneous	1,882,247	2,585,449	703,202	37%
Premium on bonds sold	2,250,787			
Loss on sale of capital assets	(218,002)	0	218,002	-100%
Adjustments to prior year encumbrances	1,300,920	988,726	-312,194	-24%
Total Revenues and Special Items	<u>127,877,012</u>	<u>129,279,835</u>	<u>1,402,823</u>	<u>1%</u>
Expenditures				
Instruction	59,698,004	56,915,460	-2,782,544	-5%
Support Services	44,649,561	40,942,537	-3,707,024	-8%
Operation of Non-Instructional Services	7,467,547	6,941,311	-526,236	-7%
Facilities acquisition	0	213,687	213,687	
Other Outlays	134,219	191,202	56,983	42%
Other Uses	0	0	0	0%
Repayments	657,891	159,573	-498,318	-76%
Interest Payments	2,174,625	2,550,031	375,406	17%
Depreciation – Unallocated	3,217,457	3,785,208	567,751	18%
Total Expenditures	<u>117,999,304</u>	<u>111,699,009</u>	<u>-6,300,295</u>	<u>-5%</u>
Change in Net Assets	9,877,708	17,580,826	7,703,118	78%
Net Assets, Beginning of Year	103,486,640	113,364,347	9,877,707	10%
Prior Period Adjustment – Capital Assets	<u>0</u>	<u>562,232</u>	<u>562,232</u>	<u>-</u>
Net Assets, End of Year	<u>\$113,364,348</u>	<u>\$131,507,405</u>	<u>\$18,143,057</u>	<u>16%</u>

Fund Financial Analysis

As discussed earlier, the presentation of fund financial information is divided between Governmental funds and Fiduciary funds.

Governmental Funds

Under the District's fund accounting system, Governmental funds include the General Fund, Building Fund, Child Nutrition Fund, Sinking Fund, and all Bond Funds. Activities in these funds are categorized among the following functional areas:

Instruction

- The activities dealing directly with the interaction between teachers and students.

Support Services

- Services that provide administrative, technical, and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services

- Activities concerned with providing non-instructional services to students, staff, or the community.

Facilities Acquisition & Construction

- Activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays

- Outlays of governmental funds that are not properly classified as expenditures, but still require budgetary or accounting control.

Other Uses

- Payments such as scholarships and claims.

Repayments

- Payments issued to outside agencies for refund of a previously received overpayment or other refund.

The table below summarizes the total and net cost of services for the Governmental funds during FY 2009-10, and for FY 2010-11, by each of these functional programs.

Function	Total Cost of Services			Net Cost of Services		
	FY 2009-10	FY 2010-11	% Change	FY 2009-10	FY 2010-11	% Change
Instruction	\$59,698,492	\$57,153,774	-4%	\$48,201,698	\$41,247,057	-14%
Support Services	45,189,784	41,200,435	-9%	42,699,965	35,849,872	-16%
Oper. Of Non-Instr. Serv.	7,468,377	6,967,277	-7%	729,158	85,504	-88%
Facility Acquis. & Constr.	8,208,940	10,005,932	22%	8,208,940	10,219,619	24%
Other Outlays	17,733,844	18,666,232	5%	17,568,578	18,573,126	6%
Other Uses	0	-	0%	0	0	0%
Repayments	657,891	159,573	-76%	657,891	119,539	-82%
Total	\$138,957,328	\$134,153,222	-3%	\$118,066,229	\$106,094,717	-10%

Fund balances for the District's various governmental funds are summarized below:

Fund Type	Fund Name	Fund Balance FY 2009-10	Fund Balance FY 2010-11	Increase/ - Decrease
Governmental Fund	General Fund	10,878,215	18,541,950	70%
Governmental Fund	Building Fund	1,858,942	2,336,858	26%
Governmental Fund	Child Nutrition Fund	2,280,411	2,813,692	23%
Governmental Fund	2005B Building Bond Fund	23,556	0	0%
Governmental Fund	2007B Building Bond Fund	1,004,059	131,026	-87%
Governmental Fund	2008A Building Bond Fund	2,175,275	481,039	-78%
Governmental Fund	2009 Comb. Bond Fund	1,224,616	431,716	-65%
Governmental Fund	2010A Building Bond Fund	12,300,840	4,374,767	-64%
Governmental Fund	2010B Transportation Bond	12,897	23,958	86%
Governmental Fund	2010 C Bond Fund	-	7,291,464	0%
Governmental Fund	2011D Bond Fund	-	13,500,030	0%
Governmental Fund	Sinking Fund	16,211,858	16,777,580	3%

Fiduciary Funds

The District's Fiduciary funds include the Gifts fund, the Endowments fund, and school Activity funds. The fund balances for each of these funds is summarized in the table below:

Fund Type	Fund Name	Fund Balance FY 2009-10	Fund Balance FY 2010-11	Increase/ - Decrease
Expendable Trust Fund	Gifts Fund	68,207	74,794	10%
Expendable Trust Fund	Arbitrage Rebate Fund	143,945	143,945	0%
Expendable Trust Fund	Endowments Fund	42,861	42,983	0%
Agency Fund	School Activity Funds	2,210,698	2,361,019	7%

The Gifts Fund and Endowments Fund both receive revenues from donations made by individuals or organizations. These funds are used for purposes specified by the donor. School site activity funds are used to account for funds raised at the individual sites through fundraising efforts and the District's vending contract. The administration is responsible for collecting and disbursing these funds under the authorization of the Board of Education.

Capital Assets and Debt Administration

As of June 30, 2010, the District held \$132,380,910 in capital assets, which include land, buildings, furniture, and equipment. This amount represents a capitalization level of \$2,500, consistent with State accounting regulations. Cumulative depreciation on these assets for the 2010-11 year was \$44,609,030. The table on the following page summarizes the District's capital assets as of June 30, 2010 and 2011.

Asset Type	Value 6/30/10	Value 6/30/11	% Increase/ (Decrease)
Land and Improvements	10,701,110	12,038,575	12%
Construction in Process	4,303,328	9,085,403	111%
Buildings & Improvements	139,655,044	143,730,736	3%
Equipment/Machinery/Vehicles	<u>18,757,636</u>	<u>19,066,559</u>	2%
Subtotal	173,417,118	183,921,273	6%
Less: Accumulated Depreciation	(41,036,208)	(44,609,030)	9%
Net Capital Assets	132,380,910	139,312,243	5%

The majority of the Construction in Process consists of renovations, additions, and various other construction projects.

Bonded debt outstanding as of June 30, 2010 was \$74,000,000, an increase of \$7,575,000 from the prior fiscal year. In years past, the district typically proposed new debt each year as old debt was retired. However, beginning in 2009, voters approved a \$295 million series debt issue. The bonds were to be issued over a period of ten (10) years, as allowed by valuation growth and the district's desire to maintain level millage rates for the sinking fund. Capital projects are construction of new facilities, construction of classrooms to replace portables, and construction of gymnasiums at several elementary sites.

FY 2010-11 Budget

For FY 2010-11, the Board of Education approved a General Fund budget of \$102,715,040. This budget represents a decrease of 2.19%, or \$2,301,376 from the previous year. Changes highlighted in the current year budget include:

- There was an overall reduction in state aid which resulted in reductions in staffing and material and supply budgets. The district made every effort to lessen the impact to the classroom.

Revenue for the District's General Fund is derived from four main sources: Local, Intermediate, State, and Federal. State revenues fund most of the district's ongoing operations. The following chart summarizes the major revenue sources for the 2010-11 General Fund budget:

Revenue by Source	2010-11 Actual
Local Sources	26,279,576
Intermediate Sources	3,891,556
State Sources	54,540,818
Federal Sources	12,602,772
Non-Revenue Sources	<u>1,561,798</u>
Total	\$98,876,520

Local sources of revenue consist primarily of ad valorem revenue, which is based on an annual levy of 35 mills (one mill is equal to \$1 per \$1,000 of net assessed valuation). For 2010-11, the District's net assessed valuation grew by 4.3%, to \$680,968,660. Other local sources of revenue include fees from before and after school care, community education classes, and interest earnings. Intermediate sources of revenue include the county 4-mill ad valorem levy and county mortgage apportionment. The largest source of revenue, received from the state, includes Foundation & Salary Incentive Aid, the state Health Insurance Allowance, Motor Vehicle Collections, and State School Land Earnings. Federal sources of revenue include IDEA, all No Child Left Behind programs, and other federal programs.

Expenditures for the General Fund are classified by function code, which identifies the purpose for which an expense is incurred. For the 2010-11 fiscal year, 61% of the General Fund is dedicated to instruction. This category includes salaries and benefits for all classroom teachers. As seen below, the next largest area of expense is the Support Services - Instructional, which represents 39% of the budget.

Expenditures by Function	2010-11 Actual
Instruction	\$55,420,557
Support Services – Instructional	35,324,715
Operations/Maintenance	580,860
Other Outlays	<u>258,997</u>
Total	\$91,585,129

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's financial position, and to demonstrate the District's accountability for the resources it receives. If you have questions about this report, or would like additional information, contact Mr. Dwayne Thompson, Chief Financial Officer, Broken Arrow Public Schools, 701 S. Main Street, Broken Arrow, Oklahoma, 74012. The District's web page is located at <http://www.baschools.org>.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - REGULATORY BASIS
JUNE 30, 2011

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Current Assets	
Cash	\$ 24,174,755
Investments	57,219,493
Total current assets	<u>81,394,248</u>
Noncurrent Assets	
Capital assets	183,921,273
Less: accumulated depreciation	(44,609,030)
Total noncurrent assets	<u>139,312,243</u>
Total Assets	<u><u>\$ 220,706,491</u></u>
 <u>LIABILITIES</u>	
Current Liabilities	
Warrants payable	\$ 5,527,549
Encumbrances	9,162,620
Capital lease payable	54,447
General obligation bonds payable	18,750,000
Total current liabilities	<u>33,494,616</u>
Long-Term Liabilities	
Capital lease payable	454,470
General obligation bonds payable	55,250,000
Total long-term liabilities	<u>55,704,470</u>
Total Liabilities	<u><u>\$ 89,199,086</u></u>
 <u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ 64,803,326
Reserved for capital projects	26,233,999
Reserved for debt service	16,777,580
Unreserved	<u>23,692,500</u>
Total Net Assets	<u><u>\$ 131,507,405</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN NET ASSETS -
- REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenditures	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction	\$ 56,915,460	418,886	15,249,517	(41,247,057)
Support services	40,942,537		5,092,665	(35,849,872)
Operation of non-instructional services	6,941,311	3,445,445	3,410,362	(85,504)
Facilities acquisition	213,687			(213,687)
Other outlays	191,202		284,308	93,106
Repayments	159,573		40,034	(119,539)
Interest payments	2,550,031			(2,550,031)
Depreciation - unallocated	3,785,208			(3,785,208)
Total governmental activities	\$ 111,699,009	3,864,331	24,076,886	(83,757,792)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				28,204,650
Property taxes, levied for debt service				18,799,415
Other taxes				7,933,296
State aid not restricted to specific purposes				38,567,628
County sources not restricted to specific purposes				3,891,556
Interest				367,898
Premium on bonds sold				
Miscellaneous				2,585,449
Special item:				
Adjustments to prior years' encumbrances				988,726
Total general revenues and special item				101,338,618
Change in Net Assets				17,580,826
Prior Period Adjustment - Fixed Assets				562,232
Net Assets, Beginning of Year				113,364,347
Net Assets, End of Year				\$ 131,507,405

The accompanying notes to the financial statements are an integral part of these financial statements

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	BOND FUNDS	OTHER GOVERNMENTAL FUNDS	TOTALS
<u>ASSETS</u>					
Cash	\$ 7,769,570	11,937,580	549,747	3,917,858	24,174,755
Investments	16,900,000	4,840,000	33,279,493	2,200,000	57,219,493
Total Assets	<u>\$ 24,669,570</u>	<u>16,777,580</u>	<u>33,829,240</u>	<u>6,117,858</u>	<u>81,394,248</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Warrants payable	\$ 4,736,331		90,217	230,580	5,057,128
Encumbrances	1,391,289		7,505,024	736,728	9,633,041
Total liabilities	<u>6,127,620</u>	<u>0</u>	<u>7,595,241</u>	<u>967,308</u>	<u>14,690,169</u>
Fund Balances					
Reserved					
Reserved capital projects			26,233,999		26,233,999
Reserved debt service		16,777,580			16,777,580
Unreserved	18,541,950			5,150,550	23,692,500
Total Fund Balances	<u>18,541,950</u>	<u>16,777,580</u>	<u>26,233,999</u>	<u>5,150,550</u>	<u>66,704,079</u>
Total Liabilities and Fund Equity	<u>\$ 24,669,570</u>	<u>16,777,580</u>	<u>33,829,240</u>	<u>6,117,858</u>	<u>81,394,248</u>

The accompanying notes are an integral part of the basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
RECONCILIATION OF ASSETS, LIABILITIES AND FUND BALANCES -REGULATORY BASIS -
GOVERNMENTAL FUNDS TO GOVERNMENT WIDE STATEMENT OF ASSETS,
LIABILITIES AND NET ASSETS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Total fund balances - total governmental funds	\$	66,704,079
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Amounts reported for governmental activities in the statement of assets,
liabilities and net assets - regulatory basis are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. The
cost of these assets are as follows:

Land improvements	12,038,575	
Buildings and structures	143,730,735	
Machinery and equipment	19,066,559	
Construction in progress	9,085,404	
Less: accumulated depreciation	(44,609,030)	139,312,243

Long-term liabilities are not due and payable in the current period,
and, therefore, are not reported in the funds:

Capital lease payable	(508,917)	
General obligation bonds payable	(74,000,000)	(74,508,917)

Net assets of governmental activities	\$	131,507,405
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INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
- ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND	DEBT SERVICE FUND	BOND FUNDS	OTHER GOVERNMENTAL FUNDS	TOTALS
Revenues collected:					
Local sources	\$ 26,167,098	18,799,415	856	6,992,901	51,960,270
Intermediate sources	3,891,556				3,891,556
State sources	54,540,818			386,730	54,927,548
Federal sources	12,602,772			3,047,490	15,650,262
Interest earnings	112,478	241,338		13,226	367,042
Non-revenue receipts	1,561,798			39,431	1,601,229
Total revenues collected	<u>98,876,520</u>	<u>19,040,753</u>	<u>856</u>	<u>10,479,778</u>	<u>128,397,907</u>
Expenditures:					
Instruction	55,420,557		1,713,217	20,000	57,153,774
Support services	35,324,715		2,516,638	3,359,082	41,200,435
Operation of non-instructional services	580,860			6,386,417	6,967,277
Facilities acquisition & construction services			10,005,932		10,005,932
Other outlays:					
Debt service requirements		18,475,031			18,475,031
Reimbursement	3,510			88,162	91,672
Private non-profit schools	50,236				50,236
Correcting entry	49,293				49,293
Repayments	155,958			3,615	159,573
Total expenditures	<u>91,585,129</u>	<u>18,475,031</u>	<u>14,235,787</u>	<u>9,857,276</u>	<u>134,153,223</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	7,291,391	565,722	(14,234,931)	622,502	(5,755,316)
Other financing sources (uses)					
Bond proceeds			23,500,000		23,500,000
Adjustments to prior year encumbrances	372,344		227,687	388,695	988,726
Total	<u>372,344</u>	<u>0</u>	<u>23,727,687</u>	<u>388,695</u>	<u>24,488,726</u>
Excess of revenues collected over (under) expenditures	7,663,735	565,722	9,492,756	1,011,197	18,733,410
Cash fund balances, beginning of year	<u>10,878,215</u>	<u>16,211,858</u>	<u>16,741,243</u>	<u>4,139,353</u>	<u>47,970,669</u>
Cash fund balances, end of year	<u>\$ 18,541,950</u>	<u>16,777,580</u>	<u>26,233,999</u>	<u>5,150,550</u>	<u>66,704,079</u>

The accompanying notes are an integral part of the basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
RECONCILIATION OF STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN NET ASSETS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	18,733,410
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Amounts reported for governmental activities in the statement of revenues collected, expenditures and changes in net assets - regulatory basis are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the statement of revenues collected, expenditures and changes in net assets - regulatory basis the cost of these assets have not been reflected. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures (net)	\$	10,716,541	
Depreciation (net)		<u>(3,785,208)</u>	6,931,333

General obligation bonds were sold this year. The amount financed by this source is reported in the governmental funds as a source of financing. On the other hand, the proceeds from the bonds are not revenues in the statement of revenues, expenditures and changes in net assets, but rather constitute long-term liabilities in the statement of assets, liabilities and net assets.

(23,500,000)

Capital leases are reported in governmental funds as expenditures when payments are made. Proceeds from capital leases are not revenues in the statement of revenues, expenditures and changes in net assets, but rather constitute long-term liabilities in the statement of assets, liabilities and net assets.

(508,917)

Repayment of long-term obligations is reported as an expenditure in governmental funds, whereas the repayment reduces long-term liabilities in the statement of assets, liabilities and changes in net assets.

15,925,000

Change in net assets of governmental activities	\$	<u><u>17,580,826</u></u>
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INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
STATEMENT OF FIDUCIARY FUND ASSETS, LIABILITIES AND NET ASSETS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	TOTAL
<u>ASSETS</u>			
Cash	\$ 188,721	1,711,021	1,899,742
Investments	<u>90,000</u>	<u>650,000</u>	<u>740,000</u>
Total Assets	<u>\$ 278,721</u>	<u>2,361,021</u>	<u>2,639,742</u>
<u>LIABILITIES</u>			
Liabilities:			
Warrants payable	\$ 3,250		3,250
Encumbrances	13,750		13,750
Funds held for school organizations		2,361,021	2,361,021
Total Liabilities	<u>17,000</u>	<u>2,361,021</u>	<u>2,378,021</u>
<u>NET ASSETS</u>			
Net Assets			
Reserved for scholarships and other specific purposes	<u>261,721</u>	<u>0</u>	<u>261,721</u>
Total Liabilities and Net Assets	<u>\$ 278,721</u>	<u>2,361,021</u>	<u>2,639,742</u>

The accompanying notes are an integral part of the basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
Additions:	
Gifts and contributions	\$ 8,942
Interest earnings	312
Other local sources	<u>15,000</u>
Total additions	<u>24,254</u>
Deductions:	
Scholarships awarded	<u>17,545</u>
Total deductions	<u>17,545</u>
Changes in Net Assets	6,709
Net Assets, beginning of year	<u>255,012</u>
Net Assets, end of year	<u><u>\$ 261,721</u></u>

The accompanying notes are an integral part of the basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Broken Arrow Public Schools Independent District No. I-3 (the “District”) has been prepared in conformity with an other comprehensive basis of accounting required by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. 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.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

A. Reporting Entity – cont’d

The Broken Arrow Education Foundation and the Broken Arrow Performing Arts Center Foundation are not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the Foundations.

B. Basic Financial Statements

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government*. This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. One of the new requirements is the inclusion of a Management Discussion and Analysis (MD&A) section.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

Statement of Net Assets – This statement reports the District’s financial and capital resources. Liabilities are segregated between current liabilities (those that are due within one year) and long-term liabilities (those that are due in more than one year).

Statement of Activities - This statement demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include tuition or fees paid by students or citizens of the District and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items including state aid that are not properly included among program revenues are reported as general revenues.

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

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Basic Financial Statements - cont’d

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 Funds – Special revenue funds include the District’s building and child nutrition funds.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the 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.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Basic Financial Statements - cont’d

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. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. 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 operation.

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund and arbitrage rebate fund.

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.

Arbitrage Rebate Fund – The arbitrage rebate fund holds arbitrage earnings (investment earnings on bond proceeds and certain related funds that exceed the bond yield) in order to make arbitrage rebate payments to the federal government under the Internal Revenue Code.

Non-expendable Trust Fund – Non-expendable trust fund include the endowment fund.

Endowment Fund – The endowment fund receives its assets by way of gifts from philanthropic foundations, individuals or private organizations for which no repayment or special service to the contributor is expected. The income derived from the investment of these assets is used to promote the general welfare of the District, however, the principal must remain intact.

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting

The District prepares its financial statements in a presentation format that is, in substance the format established by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments*.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basic financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Warrants payable are recorded as liabilities when issued.
- Investments are recorded as assets (at cost) when purchased.
- Inventories of school supplies are recorded as expenditures and not assets.
- Capital assets reported in the government-wide statements are recorded when acquired and depreciated over their useful lives.
- Long-term debt reported in the government-wide statements are recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.
- Capital leases are recorded as an expenditure when the obligation is paid.

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.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

D. Budgets and Budgetary Accounting cont’d

A budget is legally adopted by the Board of Education for the General Fund, Building Fund, Child Nutrition Fund and the Debt Service Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

E. Assets, Liabilities and Net Assets

Cash – Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments – The District is allowed to invest in direct obligations of the United State’s government and agencies ; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the District. All investments are recorded at cost, which approximates market value.

Inventories – Inventories in the general fund and child nutrition fund consist of expendable supplies held for the District’s use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the purchase method where materials and supplies are recorded as an expenditure when purchased. Inventory is not considered to be material to the basic financial statements – regulatory basis.

Capital Assets – Capital assets used in governmental fund-type operations that are purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost in the General Fixed Asset Account Group. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation and accumulated depreciation are not reported against general fixed assets.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Net Assets – cont'd

Compensated Absences – The District's policies regarding accumulated unpaid vacation, sick leave and other employee benefits amounts permit employees to accumulate varying amounts as determined by board policy and/or provided in employee contracts. The government-wide financial statements do not include any liability for any rights to receive vacation, sick leave or other employee benefits.

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.

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.

Net Assets – Reservations of fund balance represent amounts that are legally restricted for a specific purpose. The purpose for each reservation is indicated by the account title on the face of the basis financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES – cont'd

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the monies 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 rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, 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.

Other local sources of revenues include 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 are collected within such systems.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

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 passthrough from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

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

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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 cocurricular 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 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.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 improvements to sites.

Other Outlays 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).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures 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 expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no residual equity transfers during the 2010-11 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

2. CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits, cash pools (sweep accounts) and high balance savings at June 30, 2011, was \$26,074,497. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts.

The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2011, the District's investments consisted certificates of deposits with an approximate fair marker value of \$57,959,493.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses form increasing interest rates.

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with Arvest Bank and Bancfirst, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

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

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

4. CAPITAL ASSETS

Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Buildings and structures	10-45
Vehicles	6
Equipment	5-10

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning				Ending	
	Balances	Increases	Transfers	Decreases	Balances	
Capital Assets:						
Land & improvements	\$ 10,701,110	1,444,265		(106,800)	12,038,575	
Buildings & structures	139,655,044	1,602,641	2,525,496	(52,445)	143,730,736	
Machinery & equipment	18,757,636	468,864		(159,941)	19,066,559	
Construction in progress	4,303,328	7,307,571	(2,525,496)		9,085,403	
Total	173,417,118	10,823,341	0	(319,186)	183,921,273	
Less: Accumulated depreciation	(41,036,208)	(3,785,208)		212,386	(44,609,030)	
Net Capital Assets	\$ 132,380,910	7,038,133	0	(106,800)	139,312,243	

5. GENERAL LONG-TERM DEBT

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

General long-term debt of the District consists of building bonds payable and a capital lease-purchase agreement. Debt service requirements for bonds are paid solely from the fund balance and the future revenues of the debt service fund.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. GENERAL LONG-TERM DEBT – cont'd

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

	Capital Leases	Bonds Payable	Totals
Balance, July 1, 2010	\$ 562,231	66,425,000	66,987,231
Additions	0	23,500,000	23,500,000
Retirements	(53,314)	(15,925,000)	(15,978,314)
Balance, June 30, 2011	\$ 508,917	74,000,000	74,508,917

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

	<u>Amount Outstanding</u>
Building Bonds, Series 2004B, original issue \$10,800,000 dated 11-01-04, interest rates of 3.00% to 3.50%, due in an initial installment of \$1,200,000, annual installments of \$1,200,000, final payment due 11-01-14	\$ 4,800,000
Building Bonds, Series 2005B, original issue \$7,000,000 dated 12-01-05, interest rates of 3.25% to 5.00%, due in annual installments of \$775,000, final payment of \$800,000, due 12-01-15	3,900,000
Building Bonds, Series 2007A, original issue \$15,000,000 dated 3-01-07, interest rates of 3.625% to 4.25%, due in annual installments of \$3,750,000, final payment of \$3,750,000, due 3-01-12	3,750,000
Building Bonds, Series 2007B, original issue \$11,600,000 dated 12-01-07, interest rates of 3.50% to 4.00%, due in annual installments of \$2,900,000, final payment of \$2,900,000, due 12-01-12	5,800,000

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. GENERAL LONG-TERM DEBT – cont'd

Building Bonds, Series 2008A, original issue \$11,500,000 dated 6-01-08, interest rates of 3.00% to 3.25%, due in annual installments of \$2,875,000, final payment of \$2,875,000, due 6-01-13	5,750,000
Combined Purpose Bonds, Series 2009A, original issue \$10,000,000 dated 4-01-09, interest rates of 3.00% to 3.25%, due in annual installments of \$2,500,000, final payment of \$2,500,000, due 4-01-14	7,500,000
General Obligation Bonds, Series 2011, original issue \$19,000,000 dated 4-01-10, interest rate of 5.00% , due in annual installments of \$4,750,000, final payment of \$4,750,000, due 4-01-15	19,000,000
Building Bonds, Series 2010, original issue \$10,000,000 dated 12-01-10, interest rate of 1.2% to 1.45% , due in annual installments of \$2,500,000, final payment of \$2,500,000, due 12-01-15	10,000,000
General Obligation Bonds, Series 2011, original issue \$13,500,000 dated 6-01-11, interest rate of 2.00% to 3.00%, due in annual installments of \$3,375,000, final payment of \$3,375,000, due 6-01-16	13,500,000
Lease Purchase Agreement, for a Geothermal System dated 11-15-09, interest rate of 4.50% , due in annual principal and interest payments of \$77,348.63, final payment due 11-15-18	<u>508,917</u>
Total	<u>\$ 74,508,917</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. GENERAL LONG-TERM DEBT – cont'd

The annual debt service requirements for the retirement of the capital lease, including the payment of principal and interest are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 18,803,124	2,503,895	21,307,019
2013	20,931,838	1,674,861	22,606,699
2014	15,159,396	1,403,790	16,563,186
2015	12,662,068	516,499	13,178,567
2016	6,739,862	118,112	6,857,974
Thereafter	212,629	19,417	232,046
Total	\$ 74,508,917	6,236,574	80,745,491

Interest paid on general long-term debt during the 2009-10 fiscal years totaled \$2,550,031.

6. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is 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 the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

6. EMPLOYEE RETIREMENT SYSTEM AND PLAN - cont'd

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee 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. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2009-10 fiscal year, the District's contributed 9.0% (which increased to 9.5% on January 1, 2011) and the State of Oklahoma contributed the remaining amount during this year. The District is allowed by Oklahoma Teachers' 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 total contributions for 2011, 2010 and 2009 are \$8,719,732, \$9,275,273, and \$9,667,757, respectively.

Ten-year historical trend information and schedule of funding progress is presented in the Teacher's 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. Please visit www.ok.gov/TRS for all plan information.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District is self insured for its workers compensation coverage. The District utilizes Consolidated Benefits Resources, LLC (CBR), to provide services for workers' compensation claims and administration. CBR will operate a claims management program for the prevention, investigation, processing, accounting and payment of workers' compensation claims. The District's general fund pays for claims as they are incurred. As of June 30, 2011, CBR has reported an outstanding reserve for the District to be \$1,033,091.74.

The District has purchased specific excess and aggregate excess workers' compensation and employers' liability insurance so the District's liability for claim loss is limited.

8. CONTINGENCIES

Federal Grants

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

Litigation

The District is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District's sinking fund over a three year period pursuant to state law.

INDEPENDENT SCHOOL DISTRICT NO. 1-3, TULSA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

9. LEASE REVENUE BONDS

On May 1, 2011, the Tulsa County Industrial Authority issued \$72,845,000 of Educational Facilities Lease Revenue Bonds (Broken Arrow Public School Project) Series 2011, to provide funds required for the constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites for the benefit of the Broken Arrow School District. Also on May 1, 2011, the District, as lessor, entered into a ground lease agreement, for certain district property, with the Tulsa County Industrial Authority. In addition, the District entered into a sublease, as lessee, with the Tulsa County Industrial Authority. The sublease calls for eight (8) annual payments starting September 1, 2012. These payments will be made out of bond funds, pursuant to the issuance of series bonds in the amount of \$285,000,000, on December 8, 2009. Broken Arrow Public Schools will gain ownership to the capital improvements incrementally as each payment is made.

The lease payments will be as follows:

Fiscal Year		Payment	
2012-13		\$ 5,170,190	
2013-14		6,656,552	
2014-15		9,015,483	
2015-16		16,891,269	
2016-17		11,260,272	
2017-18		2,806,168	
2018-19		9,753,600	
2019-20		27,597,772	
Total Obligation		89,151,306	
Less amounts representing interest		(16,306,306)	
Lease Purchase Payable		\$ 72,845,000	

INDEPENDENT SCHOOL DISTRICT NO. I- 3, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 22,957,161	26,167,098	3,209,937
Intermediate sources	3,513,008	3,891,556	378,548
State sources	52,170,876	54,540,818	2,369,942
Federal sources	11,782,595	12,602,772	820,177
Interest earnings	95,090	112,478	17,388
Non-revenue receipts	1,318,095	1,561,798	243,703
Total revenues collected	<u>91,836,825</u>	<u>98,876,520</u>	<u>7,039,695</u>
Expenditures:			
Instruction	64,799,002	55,420,557	9,378,445
Support services	37,070,901	35,324,715	1,746,186
Operation of non-instructional services	645,698	580,860	64,838
Other outlays:			
Reimbursement		3,510	(3,510)
Private/nonprofit schools	56,807	50,236	6,571
Correcting entry		49,293	(49,293)
Repayments	142,632	155,958	(13,326)
Total expenditures	<u>102,715,040</u>	<u>91,585,129</u>	<u>11,129,911</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(10,878,215)	7,291,391	18,169,606
Adjustments to prior year encumbrances	<u>0</u>	<u>372,344</u>	<u>372,344</u>
Excess of revenues collected over (under) expenditures	(10,878,215)	7,663,735	18,541,950
Cash fund balance, beginning of year	<u>10,878,215</u>	<u>10,878,215</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>18,541,950</u>	<u>18,541,950</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I- 3, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 6,534,885	6,992,901	458,016
State sources	300,342	386,730	86,388
Federal sources	2,607,701	3,047,490	439,789
Interest earnings	19,471	13,226	(6,245)
Non-revenue receipts	3,578	39,431	35,853
Total revenues collected	<u>9,465,977</u>	<u>10,479,778</u>	<u>1,013,801</u>
Expenditures:			
Instruction	1,297,776	20,000	1,277,776
Support services	3,789,631	3,359,082	430,549
Operation of non-instructional services	8,517,923	6,386,417	2,131,506
Other outlays:			
Reimbursement		88,162	(88,162)
Repayment		3,615	(3,615)
Total expenditures	<u>13,605,330</u>	<u>9,857,276</u>	<u>3,748,054</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(4,139,353)	622,502	4,761,855
Adjustments to prior year encumbrances	<u>0</u>	<u>388,695</u>	<u>388,695</u>
Excess of revenues collected over (under) expenditures	(4,139,353)	1,011,197	5,150,550
Cash fund balances, beginning of year	<u>4,139,353</u>	<u>4,139,353</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>5,150,550</u>	<u>5,150,550</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 17,934,535	18,799,415	864,880
Interest earnings		241,338	241,338
Total revenues collected	<u>17,934,535</u>	<u>19,040,753</u>	<u>1,106,218</u>
Requirements:			
Bonds	15,925,000	15,925,000	
Coupons	2,550,031	2,550,031	
Total requirements	<u>18,475,031</u>	<u>18,475,031</u>	<u>0</u>
Excess of revenue collected over (under) expenditures	(540,496)	565,722	1,106,218
Cash fund balance, beginning of year	<u>16,211,858</u>	<u>16,211,858</u>	
Cash fund balance, end of year	<u>\$ 15,671,362</u>	<u>16,777,580</u>	<u>1,106,218</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 3,140,518	777,340	3,917,858
Investments	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>
Total Assets	<u><u>\$ 3,140,518</u></u>	<u><u>2,977,340</u></u>	<u><u>6,117,858</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 134,246	96,334	230,580
Encumbrances	<u>669,414</u>	<u>67,314</u>	<u>736,728</u>
Total Liabilities	<u>803,660</u>	<u>163,648</u>	<u>967,308</u>
Fund Equity:			
Cash fund balances	<u>2,336,858</u>	<u>2,813,692</u>	<u>5,150,550</u>
Total Liabilities and Fund Equity	<u><u>\$ 3,140,518</u></u>	<u><u>2,977,340</u></u>	<u><u>6,117,858</u></u>

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

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:			
Local sources	\$ 3,525,014	3,467,887	6,992,901
State sources	23,859	362,871	386,730
Federal sources		3,047,490	3,047,490
Interest earnings	4,882	8,344	13,226
Return of assets		39,431	39,431
Total revenues collected	<u>3,553,755</u>	<u>6,926,023</u>	<u>10,479,778</u>
Expenditures:			
Instruction	20,000		20,000
Support services	3,359,082		3,359,082
Operation of non-instructional services		6,386,417	6,386,417
Other outlays:			
Reimbursement		88,162	88,162
Repayments		3,615	3,615
Total expenditures	<u>3,379,082</u>	<u>6,478,194</u>	<u>9,857,276</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	174,673	447,829	622,502
Adjustments to prior year encumbrances	<u>303,243</u>	<u>85,452</u>	<u>388,695</u>
Excess of revenues collected over (under) expenditures	477,916	533,281	1,011,197
Cash fund balances, beginning of year	<u>1,858,942</u>	<u>2,280,411</u>	<u>4,139,353</u>
Cash fund balances, end of year	<u><u>\$ 2,336,858</u></u>	<u><u>2,813,692</u></u>	<u><u>5,150,550</u></u>

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
ALL BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 3,210,803	3,210,803	3,525,014	\$ 3,324,082	3,324,082	3,467,887
State sources	14,898	14,898	23,859	285,444	285,444	362,871
Federal sources				2,607,701	2,607,701	3,047,490
Interest earnings	2,765	2,765	4,882	16,707	16,707	8,344
Non-revenue receipts				3,578	3,578	39,431
Total revenues collected	<u>3,228,466</u>	<u>3,228,466</u>	<u>3,553,755</u>	<u>6,237,512</u>	<u>6,237,512</u>	<u>6,926,023</u>
Expenditures:						
Instruction	1,297,777	1,297,777	20,000			
Support services	3,789,631	3,789,631	3,359,082			
Operation of non-instructional services				8,517,923	8,517,923	6,386,417
Other outlays:						
Reimbursement						88,162
Repayments						3,615
Total expenditures	<u>5,087,408</u>	<u>5,087,408</u>	<u>3,379,082</u>	<u>8,517,923</u>	<u>8,517,923</u>	<u>6,478,194</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,858,942)	(1,858,942)	174,673	(2,280,411)	(2,280,411)	447,829
Adjustment to prior year encumbrances	<u>0</u>	<u>0</u>	<u>303,243</u>	<u>0</u>	<u>0</u>	<u>85,452</u>
Excess of revenues collected over (under) expenditures	(1,858,942)	(1,858,942)	477,916	(2,280,411)	(2,280,411)	533,281
Cash fund balances, beginning of year	<u>1,858,942</u>	<u>1,858,942</u>	<u>1,858,942</u>	<u>2,280,411</u>	<u>2,280,411</u>	<u>2,280,411</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>2,336,858</u>	<u>0</u>	<u>0</u>	<u>2,813,692</u>

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	2007B BOND FUND	2008A BOND FUND	2009A BOND FUND	2010A BOND FUND	2010B BOND FUND	2010C BOND FUND	2011D BOND FUND	TOTAL
<u>ASSETS</u>								
Cash	\$ 61,532	4,997	71,566	190,108	23,958	187,551	10,035	549,747
Investments	235,000	540,000	410,000	9,989,498		8,615,000	13,489,995	33,279,493
Total assets	<u>\$ 296,532</u>	<u>544,997</u>	<u>481,566</u>	<u>10,179,606</u>	<u>23,958</u>	<u>8,802,551</u>	<u>13,500,030</u>	<u>33,829,240</u>
<u>LIABILITIES AND FUND EQUITY</u>								
Liabilities:								
Warrants outstanding	\$ 14,551			17,861		57,805		90,217
Encumbrances	150,955	63,958	49,850	5,786,978		1,453,282		7,505,023
Total Liabilities	<u>165,506</u>	<u>63,958</u>	<u>49,850</u>	<u>5,804,839</u>	<u>0</u>	<u>1,511,087</u>	<u>0</u>	<u>7,595,240</u>
Fund Equity:								
Cash fund balances	131,026	481,039	431,716	4,374,767	23,958	7,291,464	13,500,030	26,234,000
Total Liabilities and Fund Equity	<u>\$ 296,532</u>	<u>544,997</u>	<u>481,566</u>	<u>10,179,606</u>	<u>23,958</u>	<u>8,802,551</u>	<u>13,500,030</u>	<u>33,829,240</u>

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

	2005B BOND FUND	2007A BOND FUND	2007B BOND FUND	2008A BOND FUND	2009A BOND FUND	2010A BOND FUND	2010B BOND FUND	2010C BOND FUND	2011D BOND FUND	TOTAL
Revenues Collected:										
Interest	\$ 26	0	125	96	194	345	0	41	30	857
Total revenues collected	<u>26</u>	<u>0</u>	<u>125</u>	<u>96</u>	<u>194</u>	<u>345</u>	<u>0</u>	<u>41</u>	<u>30</u>	<u>857</u>
Expenditures:										
Instruction			10,541	319,670	646,821	645,768		90,418		1,713,218
Support services	25,076	1,560	316,194	41,289	85,944	1,807,944	6,139	232,491		2,516,637
Facilities acquisition & construction services			546,630	1,432,983	73,104	5,567,547		2,385,668		10,005,932
Total expenditures	<u>25,076</u>	<u>1,560</u>	<u>873,365</u>	<u>1,793,942</u>	<u>805,869</u>	<u>8,021,259</u>	<u>6,139</u>	<u>2,708,577</u>	<u>0</u>	<u>14,235,787</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(25,050)	(1,560)	(873,240)	(1,793,846)	(805,675)	(8,020,914)	(6,139)	(2,708,536)	30	(14,234,930)
Other financing sources and uses										
Bond proceeds								10,000,000	13,500,000	23,500,000
Adjustments to prior year encumbrances	<u>1,494</u>	<u>1,560</u>	<u>207</u>	<u>99,610</u>	<u>12,775</u>	<u>94,841</u>	<u>17,200</u>	<u>10,000,000</u>	<u>13,500,000</u>	<u>227,687</u>
Totals	<u>1,494</u>	<u>1,560</u>	<u>207</u>	<u>99,610</u>	<u>12,775</u>	<u>94,841</u>	<u>17,200</u>	<u>10,000,000</u>	<u>13,500,000</u>	<u>23,727,687</u>
Excess of revenues collected and other financing sources over (under) expenditures	(23,556)	0	(873,033)	(1,694,236)	(792,900)	(7,926,073)	11,061	7,291,464	13,500,030	9,492,757
Cash fund balances, beginning of year	<u>23,556</u>	<u>0</u>	<u>1,004,059</u>	<u>2,175,275</u>	<u>1,224,616</u>	<u>12,300,840</u>	<u>12,897</u>	<u>0</u>	<u>0</u>	<u>16,741,243</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>131,026</u>	<u>481,039</u>	<u>431,716</u>	<u>4,374,767</u>	<u>23,958</u>	<u>7,291,464</u>	<u>13,500,030</u>	<u>26,234,000</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-3, BROKEN ARROW PUBLIC SCHOOLS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - REGULATORY BASIS FOR THE YEAR ENDED JUNE 30, 2011					
	BALANCE 7-01-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
ASSETS					
Cash	\$ 2,210,506	4,979,496	0	4,828,983	2,361,019
LIABILITIES					
Funds held for school organizations:					
Administrative Office Activity:					
CN Catering	\$ 38,293	1,080	0	35,828	3,545
P.I.E	7,348	7,676	0	14,350	6,747
School Nutrition Association	3,089	184	0	62	3,211
School Resource Officer	100	0	(100)	0	0
BOE Misc.	25	20	0	0	45
Maint. Dept. Misc.	1,066	0	0	473	593
General Account	3,558	15,366	100	10,715	8,259
Central Wmsh/Plant Oper.	2,405	0	0	517	1,888
P.O.G.O.	1,597	5,578	0	5,726	1,449
Special Services Hospitality	753	0	0	598	155
Transportation Misc.	1,930	964	0	958	336
Drug Testing	23,355	15,744	0	12,801	26,298
DFY	1,925	4,161	0	4,313	1,773
Peppi Vending	94,849	0	(35,000)	55,978	3,871
Coke Vending	366,888	155,983	0	25,649	497,202
Performing Arts Center	14,622	22,715	35,000	50,822	23,564
Sub Total:	560,884	231,374	0	218,795	573,463
Athletics:					
Project 800	149,581	432,614	0	425,057	157,138
Sub Total:	149,581	432,614	0	425,057	157,138
Broken Arrow High School:					
Academic Team	4	0	0	0	4
Advance Placement	10,431	36,803	0	34,366	12,868
Annual	596	48,430	5,829	54,036	819
Art	810	88	0	777	121
8th Grade	4,150	0	0	4,150	0
Band	7,730	9,219	5,013	11,269	10,693
Band Concession	17,607	96,147	(48,776)	51,395	13,583
Band Student Expense	143,048	441,546	5,862	491,196	99,260
Band Uniforms	9,333	0	9,882	11,508	11,799
Baseball Booster	3,722	89,669	1,100	90,107	37,624
Cross Country	1,729	21,657	(200)	18,454	4,732
Basketball Booster	10,320	18,796	(10,843)	7,799	10,474
Girls	4,216	10,947	0	4,540	6,623
Boys Basketball	5,435	8,333	5,044	11,294	528
Girls Basketball	964	7,865	4,100	9,771	3,178
Comp. Cheerleading	1,345	0	-	1,344	1
Coopers Booster	8,347	48,781	(225)	49,083	7,740
Cheerleader	7,626	40,644	561	35,260	13,571
Choir	2,809	54,318	0	45,918	11,209
Fellowship of Christian Athletes	200	0	0	0	200
INDEPENDENT SCHOOL DISTRICT NO. 1-3, BROKEN ARROW PUBLIC SCHOOLS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - REGULATORY BASIS FOR THE YEAR ENDED JUNE 30, 2011					
Broken Arrow High School Cont.					
Community Activity	\$ 3,136	2,472	0	2,276	3,332
Trng Cage	23,265	26,466	11,735	43,134	18,312
Band	2,224	0	(4,882)	22,414	1,988
BPA	489	325	-	412	402
FFA	7,287	49,355	(1,463)	48,553	6,626
FCCLA	3,924	21,476	(240)	20,868	4,292
Football Activity	40	48,439	0	500	48,638
Football Booster	117,634	114,862	44	136,602	96,938
Forensics	3,408	8,675	965	9,055	3,993
French Club	685	110	0	225	570
Girls Soccer	4,438	5,288	0	5,896	5,015
German Club	2,102	1,992	239	2,334	1,999
ID Badge	529	344	0	339	534
Industrial Arts	0	10,700	(10,700)	0	0
Newspaper	125	0	216	121	288
Junior Class	25,506	50,620	11,244	41,924	45,446
Key Club	736	348	0	531	563
Latin Club	670	392	0	563	499
Musique & Gavel	1,204	0	(1,204)	0	0
Media Center	2,886	3,783	0	4,462	2,207
General Account	57,144	10,088	2,000	43,462	25,770
BAHS Club Accounts	22,481	8,869	(8,706)	13,112	11,332
Future Medical Professionals	910	1,965	242	977	2,141
National Honor Society	3,660	4,168	(2,284)	2,274	3,270
Orchestra	6,275	8,844	(10)	7,205	7,904
PSAT/SAT	1,347	2,550	-	2,173	1,724
Parking Permit	4,423	13,711	0	6,474	19,320
Pictures	691	5,663	(6,104)	0	290
Science Club	0	5,647	6,416	5,991	6,072
Senior Class	5,732	7,658	472	11,465	2,397
Social Booster	16,033	32,066	570	28,113	20,625
Softball Booster	1,746	37,354	0	31,555	17,545
Spanish Club	576	1,644	-	1,373	847
Student Council	2,880	15,516	0	14,698	3,698
Swimming	685	6,033	0	5,896	6,212
Teacher/Staff Activity	1,203	670	0	1,050	783
Tennis/Booster	2,267	3,246	60	3,900	1,673
Textbook	0	3,388	0	3,388	0
Thespians	6,863	26,271	180	21,468	11,876
Tigette Activity Account	5,341	26,874	(3,031)	20,365	8,819
Tigette Booster	17,777	54,626	-	48,763	23,640
Track Booster	3,295	1,285	140	2,612	2,108
Triads & Family Organization	1,204	5,535	-	2,544	2,860
Band Booster	41,887	206,543	25,888	221,456	54,892
Parking/Traffic Fines	3,455	2,250	10	3,406	2,309
Tiger Sports Medicine	5,766	8,463	(1,476)	7,607	5,937
Astronomy	726	443	0	853	686
DFY	406	648	0	714	430
United Way	0	1,767	0	1,767	0
Volleyball Booster	6,078	12,311	-	12,532	5,857
Wrestling Booster	24,423	47,515	687	47,162	25,463
Wrestling Cheer Booster	307	0	(367)	0	0
INDEPENDENT SCHOOL DISTRICT NO. 1-3, BROKEN ARROW PUBLIC SCHOOLS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - REGULATORY BASIS FOR THE YEAR ENDED JUNE 30, 2011					
Broken Arrow High School Cont.					
Care	\$ 8,106	13,747	0	11,303	10,550
Change	0	68,710	0	68,710	0
Sub Total:	740,123	1,655,818	0	1,624,197	771,844
North Intermediate High School:					
Annual	920	21,604	0	720	21,804
Art	228	220	100	137	411
Band	8,236	11,912	0	9,306	10,842
Grants	632	0	0	0	632
Cheerleader-freshman	2,405	27,209	0	25,504	4,110
Choir	2,544	3,925	0	5,227	1,242
Drama	4,551	10,880	(100)	10,023	5,108
French Club	199	4,617	0	6,963	(2,167)
ID Badge	1,320	0	0	0	1,320
Industrial Arts	1,730	1,029	0	878	1,881
Newspaper	345	0	0	838	(493)
Key Club	259	20	0	203	79
Latin Club	0	480	0	560	(80)
Locks/Lockers	135	165	0	0	300
Locks/PE	0	2,240	0	2,240	0
Media Center	2,454	1,798	0	332	3,127
Miscellaneous	27,137	4,233	2,004	11,420	21,564
National Honor Society	1,429	800	0	938	1,291
Parking Permit	980	790	0	344	1,426
Science Club	2,003	11,007	(2,004)	6,620	4,554
Spanish Club	335	119	0	0	190
Student Council	1,930	6,190	0	5,740	3,383
Teacher/Staff Activity	93	844	0	636	301
Textbook	0	1,112	0	1,112	0
DFY	96	1,203	0	450	849
United Way	0	778	0	778	0
History Club	371	0	0	0	371
Sub Total:	61,525	112,975	0	91,189	83,311
South Intermediate High School:					
Annual	5,756	18,115	9,618	31,087	2,402
Audio Visual Class	569	0	0	31	529
Band	6,649	12,438	0	12,681	6,406
Grants	0	2,156	0	2,017	139
Cheerleader-Freshman	1,673	5,412	0	4,012	3,073
Choir	1,543	4,389	0	4,486	1,446
Fellowship of Christian Athletes	183	10	0	24	169
Drama	4,087	5,297	0	5,205	4,179
Foreign Language	1,236	384	0	351	1,269
ID Badge	107	130	0	190	43
Newspaper	458	572	0	367	663
Key Club	0	1,146	0	799	347
Locks/Lockers	133	35	0	130	38
Media Center	1,609	455	0	611	1,423
General Account	11,893	2,288	63	7,924	6,120
National Honor Society	165	2,090	0	1,563	692
INDEPENDENT SCHOOL DISTRICT NO. 1-3, BROKEN ARROW PUBLIC SCHOOLS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - REGULATORY BASIS FOR THE YEAR ENDED JUNE 30, 2011					
South Intermediate High School Cont.					
PSAT/SAT	\$ 628	1,635	0	1,430	833
P.T.A. Donation	342	0	0	268	74
Parking Permit	486	690	0	191	894
Pictures	4,975	4,720	(9,618)	0	77
Student Council	3,689	7,232	0	6,215	4,706
Teacher/Staff Activities	497	975	0	664	808
Textbook	0	961	0	961	0
ABLE Conference	491	1,840	0	2,024	307
DFY	461	656	0	709	408
United Way	0	484	0	484	0
Vending (restroom)	63	0	(63)	0	0
Sub Total:	47,493	74,110	0	84,422	37,179
Centennial Middle School:					
Annual	1,637	16,293	0	16,136	1,794
Art	2,306	0	0	1,931	375
Band	6,787	23,782	(25)	23,107	7,437
Grants	2,607	1,527	(975)	412	2,747
Cheerleader	6,252	8,081	0	8,724	5,609
Choir	3,111	8,533	0	8,541	1,303
Drama	5,690	7,230	(639)	8,006	4,275
ID Badge	80	67	0	-	147
Media Center	666	7,910	0	7,197	2,379
Miscellaneous	11,723	12,958	11,663	12,740	23,604
Nat. Junior Honor Society	95	1,027	0	1,088	34
Orchestra	612	11,546	25	9,904	2,279
P.T.A. Donation	3,414	0	(2,450)	600	364
Pictures	8,238	4,389	0	(8,238)	0
Student Council	1,070	1,136	0	1,461	745
Teacher/Staff Directory	787	1,118	0	1,074	831
Technology Education	219	8,105	639	6,547	2,416
Textbook	0	441	0	441	0
DFY	597	100	0	238	459
United Way	0	1,303	0	1,303	0
Change	0	15	0	15	0
Sub Total:	53,091	112,215	0	109,465	55,841
Childers Middle School:					
Annual	4,204	12,847	0	15,765	1,286
Art	569	0	0	498	71
Band	4,546	20,136	(12)	17,876	6,794
Grants	466	956	0	1,376	46
Cheerleader	1,418	2,135	50	2,274	1,319
Choir	1,161	23,188	12	21,513	2,163
Drama	5,803	1,325	0	4,240	2,588
8th Grade Club	89	739	0	721	107
ID Badge	2,629	666	0	205	3,090
Media Center	1,686	8,315	0	8,212	1,696
General Account	29,806	13,822	0	17,722	25,906
Nat. Junior Honor Society	7,433	3,520	0	4,352	6,601
8th Grade Club	2,860	0	0	1,466	1,394
Orchestra	337	1,550	0	1,263	624
INDEPENDENT SCHOOL DISTRICT NO. 1-3, BROKEN ARROW PUBLIC SCHOOLS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - REGULATORY BASIS FOR THE YEAR ENDED JUNE 30, 2011					
Childers Middle School Cont.					
Pictures	\$ 3,140	43	0	0	3,183
Science Club	1,272	13,979	0	12,405	2,846
Student Council	714	857	(50)	1,169	352
Teacher/Staff Activities	657	900	0	867	690
Technology Education	644	216	0	547	1,353
Textbook	0	605	0	606	(1)
7th Grade Club	894	0	0	0	894
Math Counts	92	168	0</		

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Beginning Balance 7/1/10	Revenue Collected	Total Expenditures	Ending Balance 6/30/11
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII Indian Education	84.060A		\$ 452,730		252,576	452,707	200,131
Title VII Indian Education - Note	84.060A			131,020	131,020		
Sub Total			<u>452,730</u>	<u>131,020</u>	<u>383,596</u>	<u>452,707</u>	<u>200,131</u>
<u>Passed Through State Department of Education:</u>							
*Title I	84.010		1,705,561		933,869	1,620,274	686,405
Title I Note	84.010			560,866	560,866		
*Title I, ARRA	84.389		561,589		302,872	464,575	161,703
Title V Part A - Note	84.298			117,703	117,703		
<u>Special Education Programs:</u>							
*IDEA-B Flowthrough	84.027		3,502,861		1,811,476	2,969,636	1,158,160
IDEA-B Flowthrough Note	84.027			859,779	859,779		
*IDEA-B Flowthrough, ARRA	84.391		1,766,722		683,328	1,214,339	531,011
IDEA-B Flowthrough, ARRA Note	84.391			577,976	577,976		
*IDEA-B PL 108-446 Private schools	84.027		15,989		5,604	12,710	7,106
IDEA-B PL 108-446 Private schools - Note	84.027			2,797	2,797		
*IDEA-B Project ECHO	84.027		3,534		0	3,534	3,534
IDEA-B Project ECHO - Note	84.027			625	625		
*IDEA-B Preschool	84.173		68,517		48,082	68,516	20,434
IDEA-B Preschool - Note	84.173			25,196	25,196		
*IDEA-B Preschool special	84.173		825		0	825	825
*IDEA-B Preschool, ARRA	84.392		47,131		24,391	38,531	14,140
IDEA-B Preschool, ARRA Note	84.392			22,756	22,756		
*Title II Part A	84.367		597,920		330,534	524,297	193,763
Title II Part A - Note	84.367			135,693	135,693		
Title II Part D Technology	84.318		5,976		5,877	5,877	
Title II Part D Technology - Note	84.318			14,704	14,704		
Title II Part D, Professional Development	84.318		4,827		1,170	3,683	2,513
Title III Part A Limited English Proficiency	84.365		66,253		31,112	60,561	29,449
Title III Part A Limited English Proficiency- Note	84.365			25,793	25,793		
Title III Part A Immigrant	84.365		11,076		4,204	10,687	6,483
Title IV Part A	84.186		11,818		3,093	10,350	7,257
Title IV Part A - Note	84.186			16,907	16,907		
*ARRA Stabilization	84.394		3,332,521		3,332,521	3,310,673	
*ARRA Education JOBS	84.410		2,763,608		2,155,039	2,763,608	608,569
Sub Total			<u>14,466,728</u>	<u>2,360,795</u>	<u>12,033,967</u>	<u>13,082,676</u>	<u>3,431,352</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins	84.048		157,133		8,385	157,133	148,748
Carl Perkins - Note	84.048			115,383	115,383		
Sub Total			<u>157,133</u>	<u>115,383</u>	<u>123,768</u>	<u>157,133</u>	<u>148,748</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
<u>Child Nutrition Programs:</u>							
School Breakfast Program	10.553				540,713	540,713	
National School Lunch Program	10.555				2,497,816	2,497,816	
Special milk	10.556				273	273	
Summer Food Program	10.559				8,689	8,689	
Sub Total					<u>3,047,491</u>	<u>3,047,491</u>	
<u>Passed Through Department of Human Service</u>							
Commodities, non-cash - Note 1	10.555				433,631	433,631	
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		79,020		16,986	61,688	44,702
Johnson O'Malley - Note	15.130			34,008	34,008		
Johnson O'Malley - 3 month money	15.130		10,509		10,368	10,368	
CDBG	14.218		5,000		0	4,880	4,880
Flood control	12.106		78		78	78	
Sub Total			<u>94,607</u>	<u>34,008</u>	<u>61,440</u>	<u>77,014</u>	<u>49,582</u>
Total Federal Assistance			<u>\$ 15,171,198</u>	<u>2,641,206</u>	<u>16,083,893</u>	<u>17,250,652</u>	<u>3,829,813</u>

Basis of Presentation -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of I-3, Broken Arrow Public Schools, and is presented on the regulatory basis of accounting, as permitted by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133.

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

Note 1 - Commodities received by the District in the amount of \$433,631 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

* Major Programs



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLAINTS AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STANDARDS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Broken Arrow District No. I-3
Broken Arrow, Oklahoma

We have audited the basic financial statements – regulatory basis of Broken Arrow District No. I-3, (the District) Broken Arrow, Oklahoma, as of and for the year ended June 30, 2011, which have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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 the District, in a separate letter dated November 17, 2011.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 17, 2011



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education
Broken Arrow School District No. I-3
Broken Arrow, Oklahoma

Compliance

We have audited Broken Arrow School District (the District) No. I-3, Broken Arrow, Oklahoma's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standard generally accepted in the United States; 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 17, 2011

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2011

There were no prior year reportable conditions or material instances of non-compliance.

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section 1 - Summary of Auditor's Results

1. An unqualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting that were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs that were considered to be material weaknesses.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major were the Title I cluster (84.010, 84.389), IDEA-B Special Education cluster (84.027, 84.391, 84.173, 84.392), Title II Part A (84.367) ARRA State Fiscal Stabilization Funds (84.394) and the ARRA Education Jobs (84.410)
8. The dollar threshold used to determine between Type A and Type B programs was \$517,520.
9. The auditee was determined to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS

NONE

Section 3 – Findings and questioned costs for federal awards

NONE

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY 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>
<u>Travelers Insurance Co-Bonds</u>	Blanket Employee Dishonesty Bond (Site Principals/Site AF Custodians)	103293441	\$ 150,000	7/1/10 - 6/30/11
<u>Ohio Casualty Insurance</u>	Treasurer	3798257	500,000	7/17/10 - 7/16/11
	Superintendent	5056186	100,000	7/1/10 - 6/30/11
	Chief Financial Officer	5056185	100,000	7/1/10 - 6/30/11
	Encumbrance Clerk	5060145	1,000	7/29/10 - 7/28/11
	Payroll Director	5058332	100,000	7/1/10 - 6/30/11
	Deputy Treasurer	5052859	100,000	6/1/10 - 6/1/11
<u>Old Republic Surety Company</u>	Minutes Clerk	2045353	5,000	10/27/10 - 10/26/11
	Minutes Clerk (2)	2002821	5,000	10/23/10 - 10/22/11
	Minutes Clerk (3)	2045354	5,000	1/12/10 - 1/11/11

INDEPENDENT SCHOOL DISTRICT NO. I-3, TULSA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, 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 Broken Arrow Public Schools for the audit year 2010-11

Sanders, Bledsoe & Hewett,
Certified Public Accountants, LLP
Auditing Firm

By _____
Authorized Agent

Subscribed and sworn to before me
This 21th day of November 2011

Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-12
Commission No. 00008621