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

**BUTNER SCHOOL DISTRICT NO. 1-15,  
SEMINOLE COUNTY, OKLAHOMA**

**JUNE 30, 2011**

**Audited by**

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15  
SEMINOLE COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-15  
SEMINOLE COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-15  
SEMINOLE COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

President	Sean Brewer
Vice-President	Linda Goodnight
Clerk	Arthela Legg
Member	Rose Gardner
Member	Brandon Mack

**SUPERINTENDENT OF SCHOOLS**

Bobbette Hamilton

**SCHOOL DISTRICT TREASURER**

Phyllis Curry



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Butner School District No. I-015  
Cromwell, Oklahoma 74837-0157

I have audited the accompanying regulatory basis financial statements of Butner School District No. I-015, Cromwell, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

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

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Butner School District No. I-015, Cromwell, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Butner School District No. I-015, Cromwell, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 28, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Butner School District No. I-015's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



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

December 28, 2011

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2011**

ASSETS	GOVERNMENTAL FUND TYPES			CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE				
Cash	\$ 380,374	55,094	92,508	8,105	74,473		610,554
Amounts available in debt service					4,275		4,275
Amounts to be provided for retirement of general long-term debt					425,725		425,725
Total Assets	<u>380,374</u>	<u>55,094</u>	<u>92,508</u>	<u>8,105</u>	<u>74,473</u>	<u>430,000</u>	<u>1,040,554</u>

LIABILITIES AND FUND EQUITY

Liabilities							
Warrants payable	152,286	3,354			14,340		169,980
Encumbrances	13,540	7,652			4,460		25,652
Funds held for school organizations					19,934		19,934
Unmatured obligations			88,233				88,233
Long-term debt:							
Bonds payable					430,000		430,000
Total liabilities	<u>165,826</u>	<u>11,006</u>	<u>88,233</u>	<u>-</u>	<u>38,734</u>	<u>430,000</u>	<u>733,799</u>
Fund Equity							
Cash fund balances	214,548	44,088	4,275	8,105	35,739		306,755
Reserved cash fund balances							
Total fund equity	<u>214,548</u>	<u>44,088</u>	<u>4,275</u>	<u>8,105</u>	<u>35,739</u>		<u>306,755</u>
Total Liabilities and Fund Equity	<u>\$ 380,374</u>	<u>55,094</u>	<u>92,508</u>	<u>8,105</u>	<u>74,473</u>	<u>430,000</u>	<u>1,040,554</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES			DEBT SERVICE	CAPITAL PROJECTS	FIDUCIARY	TOTALS
	GENERAL	SPECIAL REVENUE				FUND TYPES	
Revenues							
Local sources	\$ 293,580	53,349	114,143			101,523	562,595
Intermediate sources	24,800						24,800
State sources	1,054,795	2,008	3				1,056,806
Federal sources	374,772	85,505					460,277
Total revenues	<u>1,747,947</u>	<u>140,862</u>	<u>114,146</u>			<u>101,523</u>	<u>2,104,478</u>
Expenditures							
Instruction	1,116,204						1,116,204
Support services	497,678	35,445				52,892	586,015
Operation of non-instructional services		103,200				518	103,200
Facilities, acquisition and const. services		6,527					7,045
Other outlays	653	12,374					13,027
Debt service			118,309				118,309
Total expenditures	<u>1,614,535</u>	<u>157,546</u>	<u>118,309</u>			<u>53,410</u>	<u>1,943,800</u>
Revenues over (under) expenditures	133,412	(16,684)	(4,163)			48,113	160,678
Other financing sources (uses)							
Operating transfers in (out)	(24)	12,374				(12,374)	-
Lapsed appropriations	422	400					376
Estopped warrants	398	70					492
Total other financing sources (uses)		<u>12,844</u>				<u>(12,374)</u>	<u>868</u>
Revenue and other sources over (under) expenditures and other uses	133,810	(3,840)	(4,163)			35,739	161,546
Cash fund balance, beginning of year	80,738	47,928	8,438		8,105		145,209
Cash fund balance, end of year	<u>\$ 214,548</u>	<u>44,088</u>	<u>4,275</u>		<u>8,105</u>	<u>35,739</u>	<u>306,755</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 261,444	261,444	293,580
Intermediate sources	26,262	26,262	24,800
State sources	1,017,966	1,017,966	1,054,795
Federal sources	222,572	326,287	374,772
Total revenues	<u>1,528,244</u>	<u>1,631,959</u>	<u>1,747,947</u>
Expenditures			
Instruction	1,080,525	1,184,240	1,116,204
Support services	524,877	524,877	497,678
Other outlays			653
Non-categorical	3,580	3,580	
Total expenditures	<u>1,608,982</u>	<u>1,712,697</u>	<u>1,614,535</u>
Revenues over (under) expenditures	(80,738)	(80,738)	133,412
Other financing sources (uses)			
Operating transfers in (out)			
Lapsed appropriations			(24)
Estopped warrants			422
Total other financing sources (uses)			<u>398</u>
Revenue and other sources over (under) expenditures and other uses	(80,738)	(80,738)	133,810
Cash fund balance, beginning of year	<u>80,738</u>	<u>80,738</u>	<u>80,738</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>214,548</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 50,030	50,030	53,349
State sources	1,698	1,698	2,008
Federal sources	78,277	78,277	85,505
Non-revenue receipts		12,374	
Total revenues	130,005	142,379	140,862
<b>Expenditures</b>			
Support services	46,158	46,158	35,445
Operation of non-instructional services	131,775	131,775	103,200
Facilities acquisitions and construction			6,527
Other outlays		12,374	12,374
Total expenditures	177,933	190,307	157,546
Revenues over (under) expenditures	(47,928)	(47,928)	(16,684)
<b>Other financing sources (uses)</b>			
Operating transfers in (out)			12,374
Lapsed appropriations			400
Estopped warrants			70
Total other financing sources (uses)			12,844
Revenue and other sources over (under) expenditures and other uses	(47,928)	(47,928)	(3,840)
Cash fund balance, beginning of year	47,928	47,928	47,928
Cash fund balance, end of year	\$ -	-	44,088

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 109,951	109,951	114,143
State sources			3
Total revenues	109,951	109,951	114,146
Expenditures			
Other outlays			
Debt service	118,389	118,389	118,309
Revenues over (under) expenditures	(8,438)	(8,438)	(4,163)
Cash fund balance, beginning of year	8,438	8,438	8,438
Cash fund balance, end of year	\$ -	-	4,275

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Butner Public Schools Independent District No. I-15 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

*A. Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting*

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

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

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

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

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

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

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

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

**Proprietary Fund Types**

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

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund.

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

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

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

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

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

**Account Group**

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

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

B. *Fund Accounting* - contd.

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

**Memorandum Only - Total Column**

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

C. *Basis of Accounting and Presentation*

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

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

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*C. Basis of Accounting and Presentation – contd.*

recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

*D. Budgets and Budgetary Accounting*

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

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

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

*E. Assets, Liabilities and Fund Equity*

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

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

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty 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 interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures-* contd.

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

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

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

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

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

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

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching 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. I-15, SEMINOLE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures - contd.*

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

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

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

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There was an operating transfer of \$12,374.52 from the insurance recovery fund to the building fund to reimburse for an expenditure made originally out of that fund, but was necessary before the insurance recovery fund was established.

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$610,554 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

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

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The District did not hold any investments at June 30, 2011.

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt**

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

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

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

	Bonds Payable
Balance, July 1, 2010	\$ 530,000
Additions	
Retirements	100,000
Balance, June 30, 2011	\$ 430,000

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2009, original issue \$450,000 interest rate of 3.1-4%, due in annual installments of \$55,000, final payment of \$65,000 due 6-1-17;	\$ 340,000
Building Bonds, Series 2006, original issue \$215,000, interest rate of 3.55-6.10%, due in annual installments of \$45,000, final payment due 12-1-12;	<u>90,000</u>
Totals	<u>\$ 430,000</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt – contd.**

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

Year ending June 30	Principal	Interest	Total
2012	\$ 100,000	13,983	113,983
2013	100,000	10,394	110,394
2014	55,000	7,868	62,868
2015	55,000	6,107	61,107
2016	55,000	4,265	59,265
Thereafter	65,000	2,340	67,340
Total	<u>\$ 430,000</u>	<u>44,957</u>	<u>474,957</u>

There was \$17,809 interest paid on long-term debt incurred during the current year.

**4. Employee Retirement System**

Plan Description

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

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**4. Employee Retirement System – contd.**

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. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$95,059, \$91,506, and \$97,537 respectively.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**4. Employee Retirement System – contd.**

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

**5. Contingencies**

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

**6. Risk Management**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
Cash	\$ 7,931	47,163	55,094
Total assets	<u>7,931</u>	<u>47,163</u>	<u>55,094</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Warrants payable		3,354	3,354
Encumbrances		7,652	7,652
Total liabilities	<u>-</u>	<u>11,006</u>	<u>11,006</u>
Fund Equity			
Cash fund balances	<u>7,931</u>	<u>36,157</u>	<u>44,088</u>
Total Liabilities and Fund Equity	<u>\$ 7,931</u>	<u>47,163</u>	<u>55,094</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
<b>Revenues</b>			
Local sources	\$ 40,055	13,294	53,349
State sources	1	2,007	2,008
Federal sources		85,505	85,505
Total revenues	<u>40,056</u>	<u>100,806</u>	<u>140,862</u>
<b>Expenditures</b>			
Support services	35,445		35,445
Operation of non-instructional services		103,200	103,200
Facilities, acquisition and const. services	6,527		6,527
Other outlays	12,374		12,374
Total expenditures	<u>54,346</u>	<u>103,200</u>	<u>157,546</u>
Revenues over (under) expenditures	(14,290)	(2,394)	(16,684)
<b>Other financing sources (uses)</b>			
Operating transfers in (out)	12,374		12,374
Lapsed appropriations	400		400
Estopped warrants		70	70
Total other financing sources (uses)	<u>12,774</u>	<u>70</u>	<u>470</u>
Revenue and other sources over (under) expenditures and other uses	(1,516)	(2,324)	(3,840)
Cash fund balance, beginning of year	<u>9,447</u>	<u>38,481</u>	<u>47,928</u>
Cash fund balance, end of year	<u>\$ 7,931</u>	<u>36,157</u>	<u>44,088</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	BUILDING FUND		CHILD NUTRITION FUND	
	ORIGINAL BUDGET	FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
Revenues				
Local sources	\$ 36,711	36,711	\$ 13,319	13,319
State sources			1,698	1,698
Federal sources			78,277	78,277
Non-revenue receipts				
Total revenues	<u>36,711</u>	<u>36,711</u>	<u>93,294</u>	<u>93,294</u>
Expenditures				
Support services	46,158	46,158	131,775	131,775
Operation of non-instructional services				
Facilities acquisitions and construction				
Other outlays				
Total expenditures	<u>46,158</u>	<u>46,158</u>	<u>131,775</u>	<u>131,775</u>
Revenues over (under) expenditures	(9,447)	(9,447)	(38,481)	(38,481)
Other financing sources (uses)				
Operating transfers in (out)		12,374		
Lapsed appropriations		400		
Estopped warrants				70
Total other financing sources (uses)		<u>12,774</u>		<u>70</u>
Revenue and other sources over (under) expenditures and other uses	(9,447)	(9,447)	(38,481)	(38,481)
Cash fund balance, beginning of year	9,447	9,447	38,481	38,481
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
		7,931		36,157

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2011**

	EXPENDABLE TRUST FUND	AGENCY FUNDS	
	INS. RECOVERY FUND	ACTIVITY FUNDS	TOTALS
<u>ASSETS</u>			
Cash	\$ 54,539	19,934	74,473
<u>LIABILITIES AND FUND EQUITY</u>			
<b>Liabilities</b>			
Warrants payable	14,340		14,340
Encumbrances	4,460		4,460
Funds held for school organizations		19,934	19,934
Total liabilities	18,800	19,934	38,734
<b>Fund Equity</b>			
Cash fund balances	35,739	-	35,739
Total Liabilities and Fund Equity	\$ 54,539	19,934	74,473

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Athletics	\$ 1,299	14,552		15,710	141
Girls Softball	1	-		-	1
Baseball	1	-		-	1
Girls Basketball	6	2,428		2,412	22
Boys Basketball	434	350		422	362
Cheerleading	190	644		537	297
JH Cheerleading	97	34		48	83
Football		2,700		2,000	700
8th Grade Class	176		(176)		-
9th Grade Class	267	110	(91)	31	255
10th Grade Class	1,642	2,621	(1,375)	1,981	907
11th Grade Class	473	1,403	1,169	2,502	543
12th Grade Class	138	164	335	445	192
12th Graduates	518	-	(380)	70	68
12th Graduates			518	451	67
Elementary Office	1,468	3,822		2,234	3,056
FFA	834	3,958		4,346	446
FFA 4-H Livestock	10	-		-	10
HS National Honor Society	-	386		227	159
Yearbook	2,567	3,272		3,415	2,424
HS Office	89	2,562		379	2,272
Student Council	389	657		276	770
Library	1,094	2,564		3,619	39
FCA		72		-	72
Elementary Special	167	40		-	207
Dollar General	54	-		22	32
Activity Special	1,632	-		-	1,632
Elementary Wal-Mart	1,482		(1,482)	-	-
AR Program		848	1,482	904	1,426
Art Department	182	126		138	170
Flower Fund	50	5		43	12
Greenhouse	597	-		185	412
Speech/Drama	(2)	3		-	1
OGE	801	-		252	549
Johnson O'Malley	402	-		-	402
Audit Adjustment	-	2,204		-	2,204
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<b>17,058</b>	<b>45,525</b>	<b>-</b>	<b>42,649</b>	<b>19,934</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<b>\$ 17,058</b>	<b>45,525</b>	<b>-</b>	<b>42,649</b>	<b>19,934</b>

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII Impact Aid - 2011	84.041	S041B113854	\$ 73,127		73,127	73,127	
Title VIII Impact Aid - 2008	84.041	S041B083854	13,024		13,024	13,024	
Title VIII Impact Aid - 2007	84.041	S041B073854	17,687		17,687	17,687	
Title VII-Part A, Indian Education - 2010	84.060	S060A100593	17,877		17,877	17,877	
Title VII-Part A, Indian Education - 2008	84.060	S060A080593	14,033	(11,178)	14,033	2,855	
Title VII-Part A, Indian Education - 2007	84.060	S060A070593	25,592		25,592	25,592	
Title VI, Small Rural Schools Ach. Program - 2010	84.358	S358A100215	6,062		6,062	6,062	
Title VI, Small Rural Schools Ach. Program - 2009	84.358	S358A090215	4,857		4,857	4,857	
Subtotal			<u>172,259</u>	<u>(11,178)</u>	<u>172,259</u>	<u>161,081</u>	<u>-</u>
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		76,549	(7,520)	56,721	70,492	(13,771)
Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010				7,520		
Title II-Part A, REAP	84.367		28,905	(12,078)	12,078	25,031	(17,913)
Title II-Part A, REAP 2009-10 - Note 1	84.367				241	241	
Title II-Part D, REAP	84.318			(12,501)	12,501	4,091	(4,091)
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		1,347		1,347	1,347	(1,347)
ARRA Special Education, Preschool, Ages 3-5	84.392		78,700		56,208	56,208	
ARRA Education Stabilization Funds	84.394		6,276		6,276	6,276	
ARRA Government Service Funds	84.397		43,850		43,850	43,850	
Education Jobs Fund	84.410		235,868	(32,099)	202,513	207,536	(37,122)
Subtotal			<u>\$ 235,868</u>	<u>(32,099)</u>	<u>202,513</u>	<u>207,536</u>	<u>(37,122)</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
<u>Child Nutrition Cluster:</u>							
Non-Cash Assistance (Commodities):					6,560	6,560	
National School Lunch Program	10.555				6,560	6,560	
<i>Non-Cash Assistance Subtotal</i>					<u>6,560</u>	<u>6,560</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2010</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2011</u>
Cash Assistance:							
National School Lunch Program	10.555				56,007	56,007	
School Breakfast Program	10.553				29,498	29,498	
Cash Assistance Subtotal					85,505	85,505	
<i>Total For Program (Cluster)</i>					92,065	92,065	
<b>Total Federal Assistance</b>			<b>\$ 408,127</b>	<b>(43,277)</b>	<b>466,837</b>	<b>460,682</b>	<b>(37,122)</b>

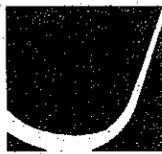
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$6,560 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
 SCHEDULE OF SURETY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
RLI Insurance Co	Superintendent	LSM0220994	\$ 100,000	7/1/10-7/1/11
CNA Surety Co	Treasurer	15422820	\$ 100,000	8/1/10-8/1/11
	Encumbrance Clerk	68386031	\$ 5,000	9/6/10-9/6/11



**Jack H. Jenkins, CPA** *A Professional Corporation*

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

The Honorable Board of Education  
Butner School District No. I-015  
Cromwell, Oklahoma 74837-0157

I have audited the regulatory basis financial statements of Butner School District No. I-015, Cromwell, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated December 28, 2011. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed three (3) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings. I also reported these matters to the District's management in a separate letter dated December 28, 2011.

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

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



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

December 28, 2011

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2010 TO JUNE 30, 2011**

**Findings – Financial Statement Audit**

11-01 – Activity Fund

Condition: The Custodian's Analysis report for the activity fund was not reconciled to the bank statements at the end of the fiscal year. An understatement of \$2,203.95 was observed with no explanation for the difference.

Criteria: Custodian Analysis reports should be on hand that reconciles to the bank statements on a monthly basis.

Effect: The sponsors for the activity fund may have received an incorrect balance in regards to their subaccounts and would not be made aware of the error until the bank statement is properly reconciled.

Recommendation: That the activity fund custodian prepares a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and that this amount is balanced to the custodian's analysis on a monthly basis.

11-02 – Signed as Received

Condition: Several purchase orders and activity funds expenditures had supporting documentation that were not signed as received.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-15, SEMINOLE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 1, 2010 TO JUNE 30, 2011**

**Findings – Financial Statement Audit – cont'd**

11-03 – Untimely Deposits

Condition: Several deposits to the Activity Fund and Child Nutrition Fund appeared to have been made up to two weeks after being receipted by the fund custodian.

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

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

Recommendation: That cash collections exceeding \$100 be deposited within 24 hours and cash collections up to \$100 be deposited within one week at the District's financial institution.

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

Revenue Coding

Revenue appeared to have been coded correctly in the current fiscal year.

Balances Owed Between Funds

No instances of General Fund monies being deposited to the Activity Fund were observed in the current fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011**

State of Oklahoma    )  
County of Tulsa     )

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

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

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
3 day of, Jan, 2012

*Karla Jenkins*  
NOTARY PUBLIC



INDEPENDENT SCHOOL DISTRICT NO. I-15, SEMINOLE COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2010 TO JUNE 30, 2011

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

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

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

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

*Dalbetha Dammitt*

Superintendent of Schools

\_\_\_\_\_  
Date of Board Meeting

*Sean Brewer*

Board of Education President

*Artie Legg*

Board of Education Clerk

*Linda Goodright*

Board of Education Vice President

*[Signature]*

Board of Education Member

*Rose E. Gardner*

Board of Education Member

Subscribed and sworn to before me on this 9 day of Jan., 2012  
My commission expires on 20 day of NOV., 2013.

*Karla Jenkins*

Notary Public

Affix Notary Seal





**Jack H. Jenkins, CPA** *A Professional Corporation*

December 28, 2011

Butner Public Schools  
Attn: Ms. Bobbette Hamilton  
PO Box 157  
Cromwell, OK 74837-0157

Dear Ms. Hamilton:

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

The following contains the exception relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

11-01 Activity Fund

The Custodian's Analysis report for the activity fund was not reconciled to the bank statements at the end of the fiscal year. An understatement of \$2,203.95 was observed with no explanation for the difference. I recommend that the activity fund custodian prepares a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and that this amount is balanced to the custodian's analysis on a monthly basis.

11-02 Signed as Received

During the audit we found several general fund purchase orders and activity fund expenditures that did not have the attached supporting documentation signed or initialed to verify that the goods or services had been received. Deficiencies noted are as follows:

General fund purchase order numbers 25, 42, 73, 74, 119, 121 and 131

Building fund purchase order numbers 14 and 18

Insurance recovery fund purchase order numbers 7, 10 and 12

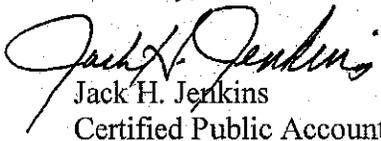
Activity fund check numbers 1, 5, 8, 17, 23, 28, 38, 49, 59, 66, 70, 85, 91, 99, 106, 123, 145, 153 and 164

11-03 Untimely Deposits

Several deposits to the activity and child nutrition funds appear to have been made up to two weeks after being receipted by the activity fund custodian. I recommend that all cash and checks on hand exceeding \$100 be receipted and deposited within 24 hours and a deposit made at least once a week if the deposit is less than \$100.00 as required by the Oklahoma State Department of Education.

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

Sincerely,

A handwritten signature in cursive script that reads "Jack H. Jerkins".

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



January 12, 2012

Jack H. Jenkins, CPA  
10026 -- A South Mingo Road #309  
Tulsa, Oklahoma 74133-5700

Mr. Jenkins,

The audit your firm completed for Butner Public Schools on June 30, 2011, unfortunately listed some exceptions that were immaterial instances of noncompliance with laws and regulations. This letter will serve as my written response to those findings.

The Custodian's Analysis report for the activity fund was not reconciled to the bank statements at the end of the fiscal year. An understatement of \$2,203.95 was observed with no explanation for the difference. With board approval on November 14, 2011, \$2,203.95 was placed in the General Activity subaccount within the Activity Account. The activity fund custodian is preparing a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and is balancing to the custodian's analysis on a monthly basis.

Several general fund purchase orders and activity fund expenditures did not have supporting documentation attached that was signed to verify that the goods or services had been received. We have had a whole faculty and staff training regarding compliance in this area and the encumbrance clerk and the activity fund custodian are making sure that invoices and packing slips are signed prior to payment of the item received. We have better communications on shipping and receiving at our district as well, and have established a central location for such.

Several deposits to the activity and child nutrition funds appear to have been made up to two weeks after being receipted. Both employees handling these funds have been advised to receipt and deposit all cash and checks on hand exceeding \$100. within 24 hours and to make a deposit at least once a week if it is less than \$100.

We regret that these findings occurred and assure you that we will make every effort not to repeat anything like this in the future.

We appreciate your staff for their professional communication, assistance and cooperation this past year.

Sincerely,

  
Bobbette Hamilton  
Superintendent