

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

**CROOKED OAK INDEPENDENT SCHOOL DISTRICT NO. I-53,
OKLAHOMA COUNTY, OKLAHOMA**

JUNE 30, 2011

Audited by

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

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011

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David Harbison, CPA

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3-4
Independent Auditor's Report	5-6
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	7-8
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9-10
Disposition of Prior Year's Reportable Conditions and Material Instances of Non-Compliance	11
Schedule of Audit Results, Findings and Questioned Costs	12
Combined Financial Statements – Regulatory Basis	
Combined Statement of Assets, Liabilities and Fund Equity - All Fund Types and Account Groups – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15-17
Notes to Combined Financial Statements - Regulatory Basis	18-33
Combining Financial Statements – Regulatory Basis	
Combining Statement of Assets, Liabilities and Fund Equity – All Special Revenue Funds – Regulatory Basis	34

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
JUNE 30, 2011

Page No.

Combining Financial Statements – Regulatory Basis – cont'd

Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds – Regulatory Basis	35
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Special Revenue Fund Types – Regulatory Basis	36
Combining Statement of Assets, Liabilities and Fund Equity – All Capital Projects Funds – Regulatory Basis	37
Combining Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Capital Projects Funds – Regulatory Basis	38
Combining Statement of Changes in Assets and Liabilities – Trust and Agency Funds – Regulatory Basis	39
Schedule of Expenditures of Federal Awards – Regulatory Basis	40
Schedule of Statutory, Fidelity and Honesty Bonds	41
Schedule of Accountant's Professional Liability Insurance Affidavit	42



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Crooked Oak School District No. I-53
Oklahoma City, Oklahoma

We have audited the accompanying fund type and account group financial statements of Crooked Oak School District No. I-53 (the District), Oklahoma County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined 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 combined 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 combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2011, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed 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 of the District as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is 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 not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 6, 2012



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

The Honorable Board of Education
Crooked Oak School District No. I-53
Oklahoma City, Oklahoma

We have audited the combined financial statements – regulatory basis of Crooked Oak School District (the District) No. I-53, Oklahoma City, Oklahoma, as of and for the year ended June 30, 2011, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated January 6, 2012. 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 that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial matters that we reported to management of the District in a separate letter dated January 6, 2012.

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

January 6, 2012



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
Crooked Oak School District No. I-53
Oklahoma City, Oklahoma

Compliance

We have audited Crooked Oak School District (the District) No. I-53, Oklahoma City, 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 standards 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 a 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 and use 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

January 6, 2012

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2011

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section 1 – Summary of Auditor’s Results:

1. A qualified 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.
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.
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 Child Nutrition Program (10.553, 10.555, 10.559), the IDEA-B Special Education Program (84.027, 84.173, 84.391, 84.392), the Title I Program (84.010, 84.389), and the State Fiscal Stabilization Funds (84.394, 84.397) which were clustered in determination, and the Education JOBS Fund (84.410), which was not clustered.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not 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-53, OKLAHOMA COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2011

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	AGENCY FUNDS	GENERAL LONG-TERM DEBT	
ASSETS							
Cash	\$ 3,778,914	409,130	828,684	335,632	81,800		5,434,160
Amounts available in debt service						60,170	60,170
Amount to be provided for retirement of long-term debt						12,642,770	12,642,770
Total Assets	<u>\$ 3,778,914</u>	<u>409,130</u>	<u>828,684</u>	<u>335,632</u>	<u>81,800</u>	<u>12,702,940</u>	<u>18,137,100</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Warrants payable	\$ 524,827	53,810		10,365			589,002
Encumbrances	451,764	40,425		37,984			530,173
Unmatured obligations			768,514				768,514
Funds held for school organizations					81,800		81,800
Long-term debt:							
Bonds payable						1,915,000	1,915,000
Capital leases						10,787,940	10,787,940
Total liabilities	<u>976,591</u>	<u>94,235</u>	<u>768,514</u>	<u>48,349</u>	<u>81,800</u>	<u>12,702,940</u>	<u>14,672,429</u>
Fund Equity:							
Cash fund balances	<u>2,802,323</u>	<u>314,895</u>	<u>60,170</u>	<u>287,283</u>	<u>0</u>	<u>0</u>	<u>3,464,671</u>
Total Liabilities and Fund Equity	<u>\$ 3,778,914</u>	<u>409,130</u>	<u>828,684</u>	<u>335,632</u>	<u>81,800</u>	<u>12,702,940</u>	<u>18,137,100</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues Collected:					
Local sources	\$ 1,784,256	1,225,781	1,198,883		4,208,920
Intermediate sources	257,366				257,366
State sources	4,371,537	8,851			4,380,388
Federal sources	999,940	456,614			1,456,554
Interest earnings	48,114	1,379	396	9,082	58,971
Non-revenue receipts	15,626	9,320			24,946
Total revenues collected	<u>7,476,839</u>	<u>1,701,945</u>	<u>1,199,279</u>	<u>9,082</u>	<u>10,387,145</u>
Expenditures:					
Instruction	4,456,965	21,100		226,412	4,704,477
Support services	2,275,125	371,348		11,679	2,658,152
Operation of non-instructional services	35,833	431,794			467,627
Facilities acquisition and construction services	33,506	807,757		1,778,212	2,619,475
Other outlays:					
Indirect cost entitlement	2,282				2,282
Other uses	1,701				1,701
Repayments	1,519	3,549			5,068
Debt service requirements			1,160,219		1,160,219
Bank fees and cash charges	4,824	8			4,832
Total expenditures	<u>6,811,755</u>	<u>1,635,556</u>	<u>1,160,219</u>	<u>2,016,303</u>	<u>11,623,833</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	665,084	66,389	39,060	(2,007,221)	(1,236,688)
Other financing sources (uses):					
Bond sale proceeds				430,000	430,000
Adjustments to prior year encumbrances	20,771	12,927		7,681	41,379
Total other financing sources (uses)	<u>20,771</u>	<u>12,927</u>	<u>0</u>	<u>437,681</u>	<u>471,379</u>
Excess of revenues collected over (under) expenditures	685,855	79,316	39,060	(1,569,540)	(765,309)
Cash fund balances, beginning of year	<u>2,116,468</u>	<u>235,579</u>	<u>21,110</u>	<u>1,856,823</u>	<u>4,229,980</u>
Cash fund balances, end of year	<u>\$ 2,802,323</u>	<u>314,895</u>	<u>60,170</u>	<u>287,283</u>	<u>3,464,671</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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	\$ 1,524,305	1,784,256	259,951
Intermediate sources	220,116	257,366	37,250
State sources	4,011,626	4,371,537	359,911
Federal sources	932,339	999,940	67,601
Interest earnings		48,114	48,114
Non-revenue receipts		15,626	15,626
Total revenues collected	<u>6,688,386</u>	<u>7,476,839</u>	<u>788,453</u>
Expenditures:			
Instruction		4,456,965	(4,456,965)
Support services		2,275,125	(2,275,125)
Operation of non-instruction		35,833	(35,833)
Facilities acquisitions to construction services		33,506	(33,506)
Other outlays:			
Indirect cost entitlement		2,282	(2,282)
Other uses	8,804,854	1,701	8,803,153
Repayments		1,519	(1,519)
Bank fees and cash charges		4,824	(4,824)
Total expenditures	<u>8,804,854</u>	<u>6,811,755</u>	<u>1,993,099</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(2,116,468)	665,084	2,781,552
Adjustments to prior year encumbrances	<u>0</u>	<u>20,771</u>	<u>20,771</u>
Excess of revenue collected over (under) expenditures	(2,116,468)	685,855	2,802,323
Cash fund balance, beginning of year	<u>2,116,468</u>	<u>2,116,468</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>2,802,323</u>	<u>2,802,323</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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 Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 252,586	1,163,635	1,225,781	62,146
State sources	8,312	8,312	8,851	539
Federal sources	393,608	393,608	456,614	63,006
Interest earnings			1,379	1,379
Non revenue receipts			9,320	9,320
Total revenues collected	<u>654,506</u>	<u>1,565,555</u>	<u>1,701,945</u>	<u>136,390</u>
Expenditures:				
Instruction			21,100	(21,100)
Support services			371,348	(371,348)
Operation of non-instructional services			431,794	(431,794)
Facilities acquisition and construction services			807,757	(807,757)
Other uses	890,085	1,801,134		1,801,134
Repayments			3,549	(3,549)
Bank fees and cash charges			8	(8)
Total expenditures	<u>890,085</u>	<u>1,801,134</u>	<u>1,635,556</u>	<u>165,578</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(235,579)	(235,579)	66,389	301,968
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>12,927</u>	<u>12,927</u>
Excess of revenue collected over (under) expenditures	(235,579)	(235,579)	79,316	314,895
Cash fund balances, beginning of year	<u>235,579</u>	<u>235,579</u>	<u>235,579</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>314,895</u>	<u>314,895</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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	\$ 1,139,109	1,198,883	59,774
Interest earnings		396	396
Total revenues collected	1,139,109	1,199,279	60,170
Requirements:			
Bonds	1,101,250	1,101,250	
Coupons	58,969	58,969	
Total requirements	1,160,219	1,160,219	0
Excess of revenue collected over (under) expenditures	(21,110)	39,060	60,170
Cash fund balance, beginning of year	21,110	21,110	0
Cash fund balance, end of year	\$ 0	60,170	60,170

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the Crooked Oak Public Schools Independent District No. I-53 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. 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-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 Funds – Special revenue funds include the District’s building, co-op (not used), child nutrition, and MAPS trust 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.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Fund Accounting - cont’d

MAPS Trust Fund – The MAPS trust fund consists of sales tax monies derived from the Oklahoma City Metropolitan Area Public Schools Trust to be used for school capital improvements.

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 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, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2010-11 school year.

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Fund Accounting – cont’d

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 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.

Account Groups

An account group is not a fund and consists 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 is established to account for all the long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the necessary detailed information to show this fund.

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 or results of operations 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.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) 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. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

E. Assets, Liabilities and Fund Equity

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 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, 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.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets Account Group is not presented in the financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

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

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular 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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED 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

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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED 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

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 operating transfers or residual equity transfers during the 2010-11 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED 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 and cash pools at June 30, 2011, was \$5,036,255. 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 had no outstanding investments.

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 from increasing interest rates.

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to an 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. 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.

4. GENERAL LONG-TERM DEBT

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT – cont'd

General long-term debt of the District consists of general obligation bonds payable and a capital lease. Debt service requirements for bonds are paid 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	Capital Leases	Total
Balance, July 1, 2010	\$ 2,905,000	10,806,073	13,711,073
Additions	430,000		430,000
Retirements	(1,420,000)	(18,133)	(1,438,133)
Balance, June 30, 2011	<u>\$ 1,915,000</u>	<u>10,787,940</u>	<u>12,702,940</u>

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

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2006, original issue \$725,000, interest rate of 3.75% to 4.40%, due in initial installments of \$175,000, final payment due 7-1-11	\$ 200,000
Building Bonds, Series 2009, original issue \$2,190,000, interest rate of 1.90% to 2.25%, due in annual installments of \$1,095,000, final payment due 6-1-12	1,095,000
Building Bonds, Series 2009, original issue \$190,000, interest rate of 2.10%, due in one annual installment of \$190,000, due 7-1-11	190,000
General Obligation Bonds, Series 2010, original issue \$430,000, interest rate of 1.50%, due in one annual installment of \$430,000, due 7-1-12	430,000

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT – cont'd

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

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
Lease-purchase of copiers, dated January 14, 2009, totaling \$94,750, 4.76% interest, due in monthly payments of \$1,867	\$ 52,940
Lease-purchase of lease-revenue bonds for project construction, dated July 22, 2009, totaling \$10,735,000, interest rate of 3.08% to 6.32%, due in varying annual principal and interest payments	<u>10,735,000</u>
Total Long-Term Debt	<u>\$ 12,702,940</u>

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

Year Ending June 30	Principal	Interest	Total
2012	2,549,403	598,408	3,147,811
2013	1,300,761	531,923	1,832,684
2014	917,776	492,505	1,410,281
2015	965,000	454,929	1,419,929
2016	1,030,000	410,249	1,440,249
2016-2020	5,940,000	1,037,515	6,977,515
Total	<u>\$ 12,702,940</u>	<u>3,525,529</u>	<u>16,228,469</u>

Interest paid on general long-term debt during the 2010-11 fiscal year totaled \$670,084.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. 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.

Ten-year historical trend information 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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. EMPLOYEE RETIREMENT SYSTEM AND PLAN – cont'd

Funding Policy – cont'd

school district. For the 2010-11 fiscal year, the District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 5.12%.

Ten-year historical trend information 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.

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009 were \$653,523, \$768,744 and \$804,765, respectively.

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; 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 a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

7. CONTINGENCIES – cont'd

Federal Grants – cont'd

collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation

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

8. OKLAHOMA CITY MAPS

On November 13, 2001, Oklahoma City voters approved the OCMAPS Program. This is a temporary sales tax for schools which will be collected for seven years. The sales tax collected is processed through a formula which will distribute the funds 70/30. 70% will go to the Oklahoma City Public School District and 30% will be divided among the suburban districts. Each suburban districts percentage will be based on the number of its students living within the Oklahoma City limits. The Crooked Oak School District will receive .689% of the suburban tax revenue. Projects and budgets must be approved by the school board, and then submit an application to the OCMAPS Trust to receive the funds.

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	BUILDING FUND	CHILD NUTRITION FUND	MAPS FUND	TOTAL
<u>ASSETS</u>				
Cash	\$ 184,559	172,463	52,108	409,130
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 26,169	27,641		53,810
Encumbrances	24,801	3,406	12,218	40,425
Total liabilities	50,970	31,047	12,218	94,235
Fund Equity:				
Cash fund balances	133,589	141,416	39,890	314,895
Total Liabilities and Fund Equity	\$ 184,559	172,463	52,108	409,130

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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	MAPS FUND	TOTAL
Revenues Collected:				
Local sources	\$ 254,837	59,895	911,049	1,225,781
State sources	4	8,847		8,851
Federal sources		456,614		456,614
Interest earnings	1,379			1,379
Non revenue receipts		9,320		9,320
Total revenues collected	<u>256,220</u>	<u>534,676</u>	<u>911,049</u>	<u>1,701,945</u>
Expenditures:				
Instruction			21,100	21,100
Support services	322,214	6,832	42,302	371,348
Operation of non-instructional services		431,794		431,794
Facilities acquisition and construction services			807,757	807,757
Repayments		3,549		3,549
Bank fees and cash charges		8		8
Total expenditures	<u>322,214</u>	<u>442,183</u>	<u>871,159</u>	<u>1,635,556</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(65,994)	92,493	39,890	66,389
Adjustments to prior year encumbrances	<u>12,250</u>	<u>677</u>	<u>0</u>	<u>12,927</u>
Excess of revenues collected over (under) expenditures	(53,744)	93,170	39,890	79,316
Cash fund balances, beginning of year	<u>187,333</u>	<u>48,246</u>	<u>0</u>	<u>235,579</u>
Cash fund balances, end of year	<u>\$ 133,589</u>	<u>141,416</u>	<u>39,890</u>	<u>314,895</u>

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			CHILD NUTRITION FUND			MAPS FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:									
Local sources	\$ 217,758	217,758	254,837	\$ 34,828	34,828	59,895	\$ 0	911,049	911,049
State sources			4	8,312	8,312	8,847			
Federal sources				393,608	393,608	456,614			
Interest earnings			1,379						
Non-revenue receipts						9,320			
Total revenues collected	<u>217,758</u>	<u>217,758</u>	<u>256,220</u>	<u>436,748</u>	<u>436,748</u>	<u>534,676</u>	<u>0</u>	<u>911,049</u>	<u>911,049</u>
Expenditures:									
Instruction									21,100
Support services			322,214			6,832			42,302
Operation of non-instructional services						431,794			
Facilities acquisition & construction services									807,757
Other uses	405,091	405,091		484,994	484,994		911,049		
Repayments						3,549			
Bank fees and cash charges						8			
Total expenditures	<u>405,091</u>	<u>405,091</u>	<u>322,214</u>	<u>484,994</u>	<u>484,994</u>	<u>442,183</u>	<u>0</u>	<u>911,049</u>	<u>871,159</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(187,333)	(187,333)	(65,994)	(48,246)	(48,246)	92,493	0	0	39,890
Adjustment to prior year encumbrances	<u>0</u>	<u>0</u>	<u>12,250</u>	<u>0</u>	<u>0</u>	<u>677</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues collected over (under) expenditures	(187,333)	(187,333)	(53,744)	(48,246)	(48,246)	93,170	0	0	39,890
Cash fund balances, beginning of year	<u>187,333</u>	<u>187,333</u>	<u>187,333</u>	<u>48,246</u>	<u>48,246</u>	<u>48,246</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>133,589</u>	<u>\$ 0</u>	<u>0</u>	<u>141,416</u>	<u>\$ 0</u>	<u>0</u>	<u>39,890</u>

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECTS FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	2006 GYM BOND FUND	2007 TRANS. BOND FUND	2009 BUILDING BOND FUND	2009 BUILDING BOND FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 152,833	25,943	59,680	97,176	335,632
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 0	1,330	7,479	1,556	10,365
Encumbrances			23,859	14,125	37,984
Total liabilities	<u>0</u>	<u>1,330</u>	<u>31,338</u>	<u>15,681</u>	<u>48,349</u>
Fund Equity:					
Cash fund balances	<u>152,833</u>	<u>24,613</u>	<u>28,342</u>	<u>81,495</u>	<u>287,283</u>
Total Liabilities and Fund Equity	<u>\$ 152,833</u>	<u>25,943</u>	<u>59,680</u>	<u>97,176</u>	<u>335,632</u>

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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

	2006 GYM BOND FUND	2007 TRANS. BOND FUND	2009 BUILDING BOND FUND	2009 BUILDING BOND FUND	2010 BOND B FUND	TOTAL
Revenue:						
Interest earnings	\$ 1,994	347	6,741	0	0	9,082
Expenditures:						
Instruction	37,987		188,425			226,412
Support services		7,783	3,896			11,679
Facilities acquisition & const. services	10,931		1,228,776	108,505	430,000	1,778,212
Total expenditures	48,918	7,783	1,421,097	108,505	430,000	2,016,303
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(46,924)	(7,436)	(1,414,356)	(108,505)	(430,000)	(2,007,221)
Other financing sources (uses):						
Bond sale proceeds					430,000	430,000
Adjustments to prior year encumbrances	6,416	1,265				7,681
Total other financing sources (uses)	6,416	1,265	0	0	430,000	437,681
Excess of revenues collected over (under) expenditures	(40,508)	(6,171)	(1,414,356)	(108,505)	0	(1,569,540)
Cash fund balances, beginning of year	193,341	30,784	1,442,698	190,000	0	1,856,823
Cash fund balances, end of year	\$ 152,833	24,613	28,342	81,495	0	287,283

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
 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
<u>ASSETS</u>					
Cash	\$ 71,517	189,730	0	179,447	81,800
<u>LIABILITIES</u>					
Funds held for school organizations:					
Athletics	\$ 1,236	9,885		10,365	756
Band	2,642	5,350		5,935	2,057
Scholarship Fund	500	0		0	500
Senior High Softball	307	500		160	647
Central Oak Elementary	17,541	53,714		54,997	16,258
FCA	903	152		295	760
General	6,476	8,089	1,026	7,403	8,188
MS General	659	1,301	(100)	630	1,230
MS Honor Society	1,789	178		1,402	565
Crooked Oak Library	1,279	8,886		8,312	1,853
MS Pep Club	1,549	2,276		1,612	2,213
MS Student Council	1,202	592		854	940
Board Money	36	0		0	36
Sr High General	976	1,155	100	992	1,239
Sr High Honor Society	89	0		0	89
Business Professional Assoc.	1,072	0		0	1,072
Sr High Cheerleaders	1,772	1,511		1,515	1,768
Newspaper/Computer Class	0	1,030		0	1,030
Special Olympics	3,179	8,395		6,254	5,320
Yearbook	0	3,376		0	3,376
Coca-Cola Fund	3,118	647		2,129	1,636
Central Oak Library	1,025	3,912		4,147	790
Quarterback Club	10,289	13,558		13,697	10,150
Boys Basketball	800	1,652		1,213	1,239
HS Stucco	778	7,537		6,648	1,667
MS Girls Basketball	1,725	2,435		1,360	2,800
Vice Family Scholarship	15	3,030		630	2,415
AFROTC Fundraising	3,360	35,181	(830)	36,239	1,472
Bricktown Bash Tournament	2,911	4,366		4,437	2,840
Band Boosters Club	300	1,100	(196)	48	1,156
Class of 2009	1,711	0		1,696	15
Class of 2010	454	0		104	350
Class of 2011	881	2,007		2,578	310
Soccer	600	1,547		1,153	994
Class of 2012	0	4,850		2,304	2,546
MS/HS Art Fund	343	1,518		338	1,523
Total Liabilities	\$ 71,517	189,730	0	179,447	81,800

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/2010	Revenue Collected	Total Expenditures	Balance at 6/30/2011
<u>U.S. Department of Education:</u>							
<u>Direct Programs:</u>							
Indian Education	84.060a	S060A100243	\$ 20,781		8,979	20,781	11,802
Indian Education 2009-10 - Note	84.060a	S060A090243		3,869	3,869		
Sub Total			<u>20,781</u>	<u>3,869</u>	<u>12,848</u>	<u>20,781</u>	<u>11,802</u>
<u>Passed Through State Department of Education:</u>							
*Title I	84.010		407,431			342,103	342,103
Title I, 2009-10 - Note	84.010			120,457	120,457		
*Title I School Support	84.010		271,200			209,103	209,103
*Title I, ARRA	84.389		143,236			143,236	143,236
Title I, ARRA 2009-10 - Note	84.389			13,576	13,576		
*IDEA-B Flow Through	84.027		219,136			195,884	195,884
IDEA-B Flow Through 2009-10 - Note	84.027			119,927	119,927		
*IDEA-B Flow Through, ARRA	84.391		115,145		70,081	115,115	45,034
IDEA-B Flow Through, ARRA 2009-10 - Note	84.391			28,668	28,668		
*IDEA-B Pre-school	84.173		7,095		5,036	5,036	
*IDEA-B Pre-school 2009-10 - Note	84.173			1,921	1,921		
*IDEA-B Pre-school, ARRA	84.392		649		325	649	324
IDEA-B Pre-school, ARRA 2009-10 - Note	84.392			82	82		
Title II, Part A	84.367		85,112		48,927	78,602	29,675
Title II, Part A 2009-10 - Note	84.367			37,484	37,484		
Title II, Part D	84.318		1,281			1,281	1,281
Title II, Part D 2009-10 - Note	84.318			2,977	2,977		
Title III, Part A Limited English	84.365		57,240		44,549	56,367	11,818
Title III, Part A Limited English 2009-10 - Note	84.365			10,561	10,561		
Title IV, Part A	84.186		1,415			1,415	1,415
Title IV, Part A 2009-10 - Note	84.186			6,362	6,362		
Learn and Serve	94.005		6,734			6,734	6,734
Learn and Serve 2009-10 - Note	94.005			3,366	3,366		
*State Fiscal Stabilization Fund	84.394		236,845		236,845	236,845	
*Textbooks, ARRA	84.397		14,565	(14,565)		14,565	
*Education Jobs, ARRA	84.410		201,576		159,445	159,445	
Sub Total			<u>1,768,660</u>	<u>330,816</u>	<u>910,589</u>	<u>1,566,380</u>	<u>986,607</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				108,557	108,557	
National school lunch program	10.555				346,467	346,467	
Summer food program	10.559					1,886	1,886
Summer food program 2009-10 - Note	10.559			1,590	1,590		
Sub Total				<u>1,590</u>	<u>456,614</u>	<u>456,910</u>	<u>1,886</u>
<u>Passed Through Department of Human Services</u>							
<u>*Non-cash assistance - commodities - Note 1</u>							
National school lunch program	10.555				32,554	32,554	
<u>Other Federal Assistance:</u>							
ROTC	n/a		52,359		52,359	52,359	
Gear Up Grant	n/a		10,644		10,644	10,644	
Medicaid	93.774		13,500		13,500	13,500	
Sub Total			<u>76,503</u>	<u>0</u>	<u>76,503</u>	<u>76,503</u>	<u>0</u>
Total Federal Assistance			<u>\$ 1,865,944</u>	<u>336,275</u>	<u>1,489,108</u>	<u>2,153,128</u>	<u>1,000,295</u>

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 \$32,554 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

* Major programs

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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>
The Bill Beckman Company - Old Republic Surety Co.	Treasurer	POB - 1100373	\$ 100,000	7/01/10 - 6/30/11
	Public Officials (blanket):			
	Activity fund custodian	POB - 1100372	5,000	7/01/10 - 6/30/11
	Encumbrance clerk	POB - 1100372	5,000	7/01/10 - 6/30/11
	Payroll clerk	POB - 1100372	5,000	7/01/10 - 6/30/11
RLI Insurance Company	Superintendent	LSM0138920	100,000	7/01/10 - 6/30/11
RLI Insurance Company	Financial Director	LSM0139592	100,000	9/14/10 - 9/14/11

INDEPENDENT SCHOOL DISTRICT NO. I-53, OKLAHOMA 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 Crooked Oak 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 6th day of January, 2012

Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2012
Commission No. 00008621