

**AUDIT REPORT**

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**

**ADAIR COUNTY, OKLAHOMA**

**JULY 1, 2010 THROUGH JUNE 30, 2011**

**AUDITED BY**

**ALAN CHAPMAN**

**CERTIFIED PUBLIC ACCOUNTANT**

**401 S. Water Street**

**TAHLEQUAH, OKLAHOMA**

**DAHLONEGAH SCHOOL DISTRICT CO29  
ADAIR COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Dahlongegah School District CO29  
Adair County, Oklahoma

I have audited the accompanying fund type and account group financial statements - regulatory basis - of Dahlongegah School District No. CO29, Adair County, Oklahoma as of and for the year ended June 30, 2011, as listed in the Table of Contents. These combined financial statements are the responsibility of the Dahlongegah School District's management. My responsibility is to express an opinion on these combined financial statements - regulatory basis - based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 combined financial statements are prepared on a regulatory basis of accounting conforming with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statement resulting from the use of their regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

As discussed in Note 1, the combined financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

In my opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally

**Independent Auditor's Report (continued)**

accepted in the United States of America, the financial position of Dahlongah School District CO29, Adair County, Oklahoma as of June 30, 2011, or the results of its operations for the year then ended.

However, in my opinion, except for the effects of the omission of the general fixed assets account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances - regulatory basis of each fund type and account group of the Dahlongah School District CO29, Adair County, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid and encumbered for the year then ended, in accordance with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 6, 2011, on my consideration of the Dahlongah School District CO29, Adair County, Oklahoma's internal control over financial reporting and on 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 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 my audit.

My audit was conducted for the purpose of forming an opinion on the fund type and account group with the combined financial statements. The combining, individual fund, account group, and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Dahlongah School District CO29. 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 also not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group within the combined financial statements and, in my 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.

November 6, 2011



Alan Chapman, CPA

COMBINED FINANCIAL STATEMENTS

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS**  
**JUNE 30, 2011**

	Governmental Fund Types		Fiduciary Fund Types		Account Group		Total (Memorandum Only Note 1) 2011
	General	Special Revenue	Trust and Agency	General Long- Term Debt			
<b>ASSETS</b>							
Cash and Investments	\$ 404,145.23	\$ 118,106.73	\$ 2,193.45	\$ -		\$ 524,445.41	
Amount to be Provided for Capitalized Lease Agreements	-	-	-	82,261.82		82,261.82	
Total Assets	\$ 404,145.23	\$ 118,106.73	\$ 2,193.45	\$ 82,261.82		\$ 606,707.23	
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Warrants Payable	\$ 89,378.84	\$ 3,127.26	\$ -	\$ -		\$ 92,506.10	
Encumbrances	\$ 18,476.24	-	-	-		18,476.24	
Due to Others	-	-	2,193.45	-		2,193.45	
Capitalized Lease Obligations Payable	-	-	-	82,261.82		82,261.82	
Total Liabilities	107,855.08	3,127.26	2,193.45	82,261.82		195,437.61	
Fund Balances:							
Undesignated	296,290.15	114,979.47	-	-		411,269.62	
Total Fund Balances	296,290.15	114,979.47	-	-		411,269.62	
Total Liabilities and Fund Balances	\$ 404,145.23	\$ 118,106.73	\$ 2,193.45	\$ 82,261.82		\$ 606,707.23	

The accompanying notes and auditors report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. C029**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**REGULATORY BASIS**

**JUNE 30, 2011**

	Governmental Fund Types		Total (Memorandum Only
	General	Special Revenue	Note 1) 2011
<b>REVENUES:</b>			
Local Sources	\$ 51,648.84	\$ 7,258.56	\$ 58,907.40
Intermediate Sources	44,017.38	4,875.13	48,892.51
State Sources	831,916.33	1,316.07	833,232.40
Federal Sources	796,022.58	184,993.06	981,015.64
Total Revenues Collected	<u>1,723,605.13</u>	<u>198,442.82</u>	<u>1,922,047.95</u>
<b>EXPENDITURES:</b>			
Instruction	835,103.77	-	835,103.77
Support Services	786,055.06	7,000.00	793,055.06
Non-Instructional Services	65,248.65	80,440.66	145,689.31
Capital Outlay	-	-	-
Other Outlays	8,216.26	20,000.00	28,216.26
Total Expenditures	<u>1,694,623.74</u>	<u>107,440.66</u>	<u>1,802,064.40</u>
Excess of Revenues Over (Under) Expenditures	<u>28,981.39</u>	<u>91,002.16</u>	<u>119,983.55</u>
Adjustments to Prior Year Encumbrances	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>28,981.39</u>	<u>91,002.16</u>	<u>119,983.55</u>
Beginning Fund Balances	<u>267,308.76</u>	<u>23,977.31</u>	<u>291,286.07</u>
Ending Fund Balances	<u>\$ 296,290.15</u>	<u>\$ 114,979.47</u>	<u>\$ 411,269.62</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REG. BASIS**  
**BUDGETED GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund			Special Revenue Funds (Building and Child Nutrition Only)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES COLLECTED:</b>						
Local sources	\$ -	\$ -	\$ 51,648.84	\$ 5,364.00	\$ 5,364.00	\$ 7,258.56
Intermediate sources	38,521.29	38,521.29	44,017.38	4,438.15	4,438.15	4,875.13
State sources	789,160.91	799,265.75	831,916.33	1,063.65	1,063.65	1,316.07
Federal sources	136,082.99	760,886.74	796,022.58	89,475.18	189,475.18	184,993.06
Total revenues collected	<u>963,765.19</u>	<u>1,598,673.78</u>	<u>1,723,605.13</u>	<u>100,340.98</u>	<u>200,340.98</u>	<u>198,442.82</u>
<b>EXPENDITURES PAID:</b>						
Instruction	541,073.95	941,073.95	835,103.77	-	-	-
Support services	605,000.00	839,908.59	786,055.06	18,890.22	18,890.22	7,000.00
Non-instructional services	75,000.00	75,000.00	65,248.65	85,428.07	85,428.07	80,440.66
Capital outlays	-	-	-	-	100,000.00	-
Other outlays	10,000.00	10,000.00	8,216.26	20,000.00	20,000.00	20,000.00
Total expenditures paid	<u>1,231,073.95</u>	<u>1,865,982.54</u>	<u>1,694,623.74</u>	<u>124,318.29</u>	<u>224,318.29</u>	<u>107,440.66</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	<u>(267,308.76)</u>	<u>(267,308.76)</u>	<u>28,981.39</u>	<u>(23,977.31)</u>	<u>(23,977.31)</u>	<u>91,002.16</u>
Adjustments to prior year encumbrances	-	-	-	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	<u>(267,308.76)</u>	<u>(267,308.76)</u>	<u>28,981.39</u>	<u>(23,977.31)</u>	<u>(23,977.31)</u>	<u>91,002.16</u>
Fund balance, beginning of year	<u>267,308.76</u>	<u>267,308.76</u>	<u>267,308.76</u>	<u>23,977.31</u>	<u>23,977.31</u>	<u>23,977.31</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,290.15</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,979.47</u>

The accompanying notes and auditors report are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Dahlongegah School District No. CO29 (the "District") have been prepared on a regulatory basis of accounting which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The accounting policies are prescribed by the Oklahoma Department of Education, and conform to the system of accounting authorized by the State of Oklahoma. The following is a summary of the more significant accounting policies.

**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 three 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 included, 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.

DAHLONEGAH SCHOOL DISTRICT NO. CO29  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. REPORTING ENTITY (continued)**

The Board of School Trustees (Board), an elected three member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public school education within the jurisdiction of the local dependent school district. The Board receives funding from local, state, and federal government sources, and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

**B. FUND ACCOUNTING**

The District used 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.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Special Revenue Funds** - The First Special Revenue Fund is the District's Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings, and for purchasing furniture and equipment.

The second Special Revenue Fund is the Child Nutrition Fund used to account for monies derived from federal and state reimbursement and local food service collections.

The third Special Revenue fund is the Special Education Cooperative Fund, whereby three school districts have pooled special education funding and other local monies. This fund accounts for these monies.

**Debt Service Fund** - The Debt Service Fund is the District's Sinking Fund used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not have a Debt Service Fund during the 2010-2011 school year.

**Capital Projects Fund** - The Capital Projects Fund is the District's Bond Fund 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. The District did not maintain a Capital Projects Fund during the 2010-2011 school year.

**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 does not have any Proprietary Funds.

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" 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 operations.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Agency Fund** - The Agency Fund is the School Activities Fund used to account for monies collected principally through fund-raising efforts of the students and District sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing, and accounting for these activity funds.

**Expendable Trust Fund** - This trust fund is used to account for insurance proceeds and expenditures related to the resulting loss lowered by insurance. The District did not utilize this fund during the 2010-2011 fiscal year.

**Account Groups**

Account groups are not funds, and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in Proprietary Funds.

**General Long-Term Debt Account Group** - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the Debt Service Fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years. The District did not have any debt.

**General Fixed Asset Account Group** - This account group is used to account for property, plant, and equipment of the District. The District does not maintain a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded assets for financial statement purposes.

**Memorandum Only - Total Column**

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

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. BASIS OF ACCOUNTING**

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 - and Management's Discussion and Analysis - for State and*

*Local Governments*. This format significantly differs from that required by GASB 34.

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

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

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS**

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 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 the General Fund and Special Revenue Funds (Building Fund and Child Nutrition Fund) that includes revenues and expenditures.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. BUDGETS AND BUDGETARY ACCOUNTING - ESTIMATE OF NEEDS (continued)**

The 2010-2011 Estimate of Needs was approved by the Board and subsequently filed with the county clerk. The Estimate of Needs was approved by the excise board, and the requested levies were made.

During the year, the General Fund budget was amended through a supplemental appropriation in the amount of \$634,908.59, the Special Revenue budget was amended through a supplemental appropriation in the amount of \$100,000.00. The above supplemental appropriations were approved by the Board.

All supplemental appropriations were amended through additional revenue collections.

**E. ENCUMBRANCES**

Encumbrances represent commitments 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. Appropriations not used or encumbered lapse at the end of the year.

**F. ASSETS, LIABILITIES, AND FUND EQUITY**

**Cash and Cash Equivalents** - The District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of six months or less when purchased, to be cash and cash equivalents.

**Investments** - Investments consist of bank certificates of deposit with maturities greater than six months when purchased. 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 financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

**Fixed Assets and Property, Plant, and Equipment** - The General Fixed Asset Account Group is not presented. The amount that should be recorded in the General Fixed Asset Account Group is not known.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated Absences** - In accordance with the provisions of Statement of Financial Accounting standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits or vacation leave. Vested accumulated rights to receive sick pay benefits or vacation leave would be reported in the General Long-Term Debt Account group since none of the vested sick leave is expected to be liquidated with expendable available financial resources; however, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it since the combined financial statements have been prepared on the regulatory basis of accounting. Vested accumulated rights to receive sick pay benefits have not been reported in the General Long-Term Debt Account Group since the combined financial statements have been prepared on the regulatory basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

**Long-Term Debt** - Long-Term Debt is recognized as a liability of 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 when applicable.

**Fund Balance** - Fund Balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

**G. REVENUES, EXPENSES, AND EXPENDITURES**

**Property Tax Revenues** - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the 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.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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 revenues, expenditures, or 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 fiscal year 2010.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Risk Management** - The District participates in a risk pool for worker's compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the district reports the required contribution to the pool, net of refunds, as insurance expense.

**Subsequent Events** - Subsequent events have been evaluated through November 6, 2011, which is the date the financial statements were available to be issued.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 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, and bank and trust companies, savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the District's investment policy:

***Deposits and Investments*** - The District's cash deposits and investments at June 30, 2011, were completely insured or collateralized by federal deposit insurance, direct obligations of the United States Government, or securities held by the District or by its agent in the District's name.

Therefore, the District's cash deposits and investments at June 30, 2011, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

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

**NOTE 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. General long-term debt of the District consists of lease/purchase agreements.

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

	<u>Bonds Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
Balance July 1, 2010	\$0.00	\$ 0.00	\$ 0.00
Additions	0.00	125,758.00	125,758.00
Retirements	<u>0.00</u>	<u>43,496.18</u>	<u>43,496.18</u>
Balance June 30, 2011	<u>\$0.00</u>	<u>\$ 82,261.82</u>	<u>\$ 82,261.82</u>

**DAHLONEGAH SCHOOL DISTRICT NO. CO29  
NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4: GENERAL LONG-TERM DEBT (continued)**

As disclosed in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the General Long-Term Account Group.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, are as follows:

<u>Year Ending June 30</u>	<u>Bus 1</u>	<u>Bus 2</u>	<u>Total</u>
2012	\$27,629.30	\$15,866.88	\$43,496.18
2013	27,629.30	15,866.88	43,496.18
Total Minimum Lease Payments	55,258.60	31,733.76	86,992.36
Less: Amount Representing Interest	<u>3,004.90</u>	<u>1,725.64</u>	<u>4,730.54</u>
Present Value of Future Minimum Lease Payments	<u>\$52,253.70</u>	<u>\$30,008.12</u>	<u>\$82,261.82</u>

**NOTE 5: OTHER POST EMPLOYMENT BENEFITS**

The District does not offer any early retirement incentive plans.

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM**

The District participates in the state administered Oklahoma Teacher's Retirement System (The "System"), which is a cost-sharing, multiple employer public employee retirement system (PERS). Under the system contributions are made by the District, the State of Oklahoma, and the participating employees.

Participation is required for all teachers and other certified employees, and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System, nor has it any liability, except for the current contribution requirements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM (continued)**

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. If joining the system before 1992, the normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years (if under \$40,000.00 of compensation) of contributory service multiplied by the number of years of credited service. If joining the system after 1992, normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest five consecutive years of contributory services multiplied by the number of years of credited service. A participant in the system whose compensation is over \$40,000, the normal retirement benefit, is calculated using a two tier calculation. Tier one calculation is equal to two percent of \$40,000.00 times the number of years of credited service before July 1, 1995. Tier two calculation is equal to two percent of the appropriate three or five year average earnings times the number of years of credited service after July 1, 1995. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the District, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer paid fringe benefits. The fiscal year 2011 contribution rates for employers was 9.50%. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes into the System. The percentage is currently 5.0%. Additionally, the System receives "federal matching" contributions for positions whose funding comes from federal sources. The federal matching contribution rate for FY 2011 was 6.50%. The District is allowed by Oklahoma Teachers Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$675,976; the District's total compensation was \$989,604. Total contributions made during the year ended June 30, 2011 by the District amounted to \$102,638 which represents \$62,622 for the 9.50% statutory and \$40,016 for the 7% contribution paid by the employees. These contributions represented 11.5% of covered compensation. The District is required to match the retirement paid on salaries paid with federal funds.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 6: EMPLOYMENT RETIREMENT SYSTEM (continued)**

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$102,638, \$95,899, and \$90,201 respectively.

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 Oklahoma Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System.

Ten year historical trend information is presented in the Teacher's Retirement System of the Oklahoma Annual Report for the year ended June 30, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets(AVA) (a)</u>	<u>Actuarial Liability (AAL)(b)</u>	<u>Unfunded Actuarial Liability (UAAL)(b-a)</u>	<u>Funder Ratio(a/b)</u>	<u>Annual Covered Payroll(c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
June 30, 2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
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	243.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

The Oklahoma Teacher Retirement System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Oklahoma Teacher's Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29  
 NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 8: CONTINGENCIES AND OTHER COMMITMENTS**

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.

**NOTE 9: INSURANCE COVERAGE**

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and worker's compensation. The District also purchases the following surety bonds through Western Surety:

<b>Employee</b>	<b>Bond #</b>	<b>Position</b>	<b>Date</b>	<b>Amount</b>
Jeff Limore	70751573	Superintendent	07/01/10-07/01/11	\$100,000.00
Jeff Limore	14328281	Co. Custodian Activity Fund	09/17/10-09/17/11	\$ 25,000.00
Tammy Flute	15423085	Co. Custodian Activity Fund	09/17-10-09/17/11	\$ 25,000.00
Tammy Flute	15423088	Minutes and Encumbrance Clerk	03/01/11-03/01/12	\$ 2,000.00

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**NOTES TO THE FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 7: SUMMARY OF STATE AND FEDERAL GRANTS/CONTRACTS FUNDING**

<u>Grant, Federal Grant/Pass Through Grantor/Program Title</u>	<u>Project Code</u>	<u>CFDA #</u>	<u>Grant Award</u>	<u>Revenue Receivable At 7-1-10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue Receivable At 6-30-11</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<b><u>Direct Programs:</u></b>							
Title VII Indian Education	561	84.060A	\$ 26,901.00	\$ -	\$ 26,901.00	\$ 26,901.00	\$ -
Title VIII Impact Aid	591	84.041	680,197.13	-	680,197.13	680,197.13	-
Rural Education Achievement Program	588	84.358A	10,791.00	-	10,791.00	10,791.00	-
<b><u>Pass-through State Department of Education</u></b>							
<b><u>REAP Cluster</u></b>							
REAP Title II - Part A	586	84.367	12,960.33	-	-	12,960.33	12,960.33
REAP Title II - Part D	586	84.318	167.86	-	-	167.86	167.86
REAP Title II - Part D	586	84.318	122.83	-	-	122.83	122.83
Total for Cluster			13,251.02	-	-	13,251.02	13,251.02
<b><u>ARRA Cluster</u></b>							
ARRA Education Stabilization	782	84.394A	42,775.00	-	42,775.00	22,794.04	(19,980.96)
ARRA Government Service Fund	787	84.397	189.92	3,542.08	3,732.00	189.92	-
Total for Cluster			42,964.92	3,542.08	46,507.00	22,983.96	(19,980.96)
<b><u>Title I Cluster</u></b>							
Title I	511	84.010	51,857.63	49,577.87	49,577.87	51,857.63	51,857.63
Title I ARRA	516	84.389	18,538.95	-	-	7,955.74	7,955.74
Total for Cluster			70,396.58	49,577.87	49,577.87	59,813.37	59,813.37
<b><u>Special Education Cluster</u></b>							
IDEA - Part B Flow Through	621	84.027	35,146.67	36,121.37	36,121.37	35,146.67	35,146.67
IDEA - Part B Preschool	641	84.173	5,008.04	4,979.99	4,979.99	5,008.04	5,008.04
ARRA IDEA Part B	622	84.391	11,384.31	-	-	11,384.31	11,384.31
Total for Cluster			51,539.02	41,101.36	41,101.36	51,539.02	51,539.02
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<b><u>Pass-through State Department of Education</u></b>							
<b><u>Child Nutrition Cluster</u></b>							
Commodities Non Cash Assistance	385	10.550	3,900.50	-	3,900.50	3,900.50	-
Breakfast Cash Assistance	385	10.553	30,869.80	-	30,869.80	30,869.80	-
Lunch Cash Assistance	385	10.555	54,123.26	-	54,123.26	54,123.26	-
Total for Cluster			88,893.56	-	88,893.56	88,893.56	-
<b><u>OTHER FEDERAL PROGRAMS</u></b>							
Medicaid	698	93.778	36,697.23	-	36,697.23	36,697.23	-
Johnson O'Malley	563	15.130	5,700.00	4,250.00	4,250.00	5,700.00	5,700.00
<b>Total Federal Grants and Assistance</b>				<b>\$ 98,471.31</b>	<b>\$ 984,916.15</b>	<b>\$ 996,767.29</b>	<b>\$ 110,322.45</b>

COMBINING FINANCIAL STATEMENTS

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	Building Fund	Child Nutrition Fund	Total
<b>ASSETS</b>			
Cash and Investments	\$ 101,109.76	\$ 16,996.97	\$ 118,106.73
Total Assets	<u>\$ 101,109.76</u>	<u>\$ 16,996.97</u>	<u>\$ 118,106.73</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants Payable	\$ -	\$ 3,127.26	\$ 3,127.26
Total Liabilities	<u>-</u>	<u>3,127.26</u>	<u>3,127.26</u>
Fund Balances:			
Undesignated	101,109.76	13,869.71	114,979.47
Total Fund Balances	<u>101,109.76</u>	<u>13,869.71</u>	<u>114,979.47</u>
Total Liabilities and Fund Balances	<u>\$ 101,109.76</u>	<u>\$ 16,996.97</u>	<u>\$ 118,106.73</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. C029**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	Building Fund	Child Nutrition Fund	Total (Memorandum Only Note 1) 2011
<b>REVENUES:</b>			
Local Sources	\$ 1,378.56	\$ 5,880.00	\$ 7,258.56
Intermediate Sources	4,875.13	-	4,875.13
State Sources	-	1,316.07	1,316.07
Federal Sources	100,000.00	84,993.06	184,993.06
Total Revenues Collected	<u>106,253.69</u>	<u>92,189.13</u>	<u>198,442.82</u>
<b>EXPENDITURES:</b>			
Instruction	-	-	-
Support Services	7,000.00	-	7,000.00
Non-Instructional Services	-	80,440.66	80,440.66
Capital Outlay	-	-	-
Other Outlays	-	20,000.00	20,000.00
Total Expenditures	<u>7,000.00</u>	<u>100,440.66</u>	<u>107,440.66</u>
Excess of Revenues Over (Under) Expenditures	<u>99,253.69</u>	<u>(8,251.53)</u>	<u>91,002.16</u>
Adjustments to Prior Year Encumbrances	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>99,253.69</u>	<u>(8,251.53)</u>	<u>91,002.16</u>
Beginning Fund Balances	<u>1,856.07</u>	<u>22,121.24</u>	<u>23,977.31</u>
Ending Fund Balances	<u>\$ 101,109.76</u>	<u>\$ 13,869.71</u>	<u>\$ 114,979.47</u>

The accompanying notes and auditors report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN FUND BALANCES - REGULATORY BASIS**  
**SPECIAL REVENUE (BUILDING, CHILD NUTRITION, AND CO-OP) FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds			Child Nutrition Fund			
	Building Fund		Actual	Original Budget		Final Budget	Actual
	Original Budget	Final Budget		Original Budget	Final Budget		
<b>REVENUES COLLECTED:</b>							
Local sources	\$ -	\$ -	\$ 1,378.56	\$ 5,364.00	\$ 5,364.00	\$ 5,880.00	
Intermediate sources	4,438.15	4,438.15	4,875.13	-	-	-	
State sources	-	-	-	1,063.65	1,063.65	1,316.07	
Federal sources	12,596.00	112,596.00	100,000.00	76,879.18	76,879.18	84,993.06	
Total revenues collected	17,034.15	117,034.15	106,253.69	83,306.83	83,306.83	92,189.13	
<b>EXPENDITURES PAID:</b>							
Instruction	-	-	-	-	-	-	
Support services	18,890.22	18,890.22	7,000.00	-	-	-	
Non-instructional services	-	-	-	85,428.07	85,428.07	80,440.66	
Capital outlays	-	-	-	-	-	-	
Other outlays	-	100,000.00	-	20,000.00	20,000.00	20,000.00	
Total expenditures paid	18,890.22	118,890.22	7,000.00	105,428.07	105,428.07	100,440.66	
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,856.07)	(1,856.07)	99,253.69	(22,121.24)	(22,121.24)	(8,251.53)	
Adjustments to prior year encumbrances	-	-	-	-	-	-	
Excess (deficiency) of revenues and other resources over expenditures and other financing sources (uses)	(1,856.07)	(1,856.07)	99,253.69	(22,121.24)	(22,121.24)	(8,251.53)	
Fund balance, beginning of year	1,856.07	1,856.07	1,856.07	22,121.24	22,121.24	22,121.24	
Fund balance, end of year	\$ -	\$ -	\$ 101,109.76	\$ -	\$ -	\$ 13,869.71	

The accompanying notes and auditors report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**FIDUCIARY FUNDS - REGULATORY BASIS**  
**JUNE 30, 2011**

	Agency Fund
	Activity Fund
<b>ASSETS</b>	
Cash and Investments	\$ 2,193.45
Total Assets	<u>\$ 2,193.45</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Due to Student Groups	\$ 2,193.45
Total Liabilities	<u>\$ 2,193.45</u>
Fund Balances:	
Unreserved:	
Undesignated	<u>          -</u>
Total Fund Balances	<u>          -</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,193.45</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS - REGULATORY BASIS**  
**JUNE 30, 2011**

	Agency Funds			Balance June 30, 2011
	Balance July 1, 2010	Additions	Deletions	
<b>ACTIVITIES</b>				
Student Activities	\$ 2,871.44	\$ 37,181.96	\$ 37,859.95	\$ 2,193.45
Total - All Agency Funds	<u>\$ 2,871.44</u>	<u>\$ 37,181.96</u>	<u>\$ 37,859.95</u>	<u>\$ 2,193.45</u>
<b>ASSETS</b>				
Cash	\$ 2,871.44	\$ 37,181.96	\$ 37,859.95	\$ 2,193.45
Total Assets	<u>\$ 2,871.44</u>	<u>\$ 37,181.96</u>	<u>\$ 37,859.95</u>	<u>\$ 2,193.45</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 2,871.44	\$ 37,181.96	\$ 37,859.95	\$ 2,193.45
Total Liabilities	<u>\$ 2,871.44</u>	<u>\$ 37,181.96</u>	<u>\$ 37,859.95</u>	<u>\$ 2,193.45</u>

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**FIDUCIARY FUND - SUB-ACCOUNTS OF AGENCY FUND**  
**JUNE 30, 2011**

	Concession Fund	Pop Machine Fund	Student Fund	General Fund	Athletic Fund	8th Grade Fund	Totals 2011
<b>ASSETS</b>							
Cash and Investments	\$ 162.28	\$ 671.10	\$ 181.81	\$ 397.75	\$ 779.52	\$ 0.99	\$ 2,193.45
Total Assets	<u>\$ 162.28</u>	<u>\$ 671.10</u>	<u>\$ 181.81</u>	<u>\$ 397.75</u>	<u>\$ 779.52</u>	<u>\$ 0.99</u>	<u>\$ 2,193.45</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to Others	\$ 162.28	\$ 671.10	\$ 181.81	\$ 397.75	\$ 779.52	\$ 0.99	\$ 2,193.45
Total Liabilities	<u>\$ 162.28</u>	<u>\$ 671.10</u>	<u>\$ 181.81</u>	<u>\$ 397.75</u>	<u>\$ 779.52</u>	<u>\$ 0.99</u>	<u>\$ 2,193.45</u>
Fund Balances:							
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 162.28</u>	<u>\$ 671.10</u>	<u>\$ 181.81</u>	<u>\$ 397.75</u>	<u>\$ 779.52</u>	<u>\$ 0.99</u>	<u>\$ 2,193.45</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**SCHEDULE OF FEDERAL AWARDS EXPENSED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Grant, Federal Grant/Pass Through Grant/Program Title	Approved Amount	Balance at June 30, 2010	Receipts	Expenditures	Balance at June 30, 2011
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Direct Programs - Note 1</i>					
Title VIII Indian Education	\$ 26,001.00	\$ -	\$ 26,001.00	\$ 26,001.00	\$ -
Title VIII Impact Aid	480,197.13	-	480,197.13	480,197.13	-
Rural Education Achievement Program	10,791.00	-	10,791.00	10,791.00	-
<b>Pass-through State Department of Education - Note 1</b>					
<b>REAP Cluster</b>					
REAP Title II - Part A	12,960.33	-	-	12,960.33	12,960.33
REAP Title II - Part D	167.86	-	-	167.86	167.86
REAP Title II - Part B	122.83	-	-	122.83	122.83
Total for Cluster	13,251.02	-	-	13,251.02	13,251.02
<b>ARRA Cluster</b>					
ARRA Education Stabilization	42,775.00	-	42,775.00	22,704.04	(19,981.00)
ARRA Government Service Fund	189.92	3,542.08	-	189.92	-
Total for Cluster	42,964.92	3,542.08	46,597.00	22,983.96	(19,981.00)
<b>Title I Cluster</b>					
Title I	51,857.63	49,577.87	49,577.87	51,857.63	31,857.63
Title I ARRA	18,538.95	-	-	7,955.74	7,955.74
Total for Cluster	70,396.58	49,577.87	49,577.87	59,813.37	59,813.37
<b>Special Education Cluster</b>					
IDEA - Part B Flow Through	35,146.67	36,121.37	36,121.37	35,146.67	35,146.67
IDEA - Part B Preschool	5,008.04	4,979.99	4,979.99	5,008.04	3,028.04
ARRA IDEA Part B	11,384.31	-	-	11,384.31	11,384.31
Total for Cluster	51,539.02	41,101.36	41,101.36	51,539.02	51,539.02
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Pass-through State Department of Education</i>					
Commodity Non-Cash Ag - Note 2	3,900.50	-	3,900.50	3,900.50	-
Block/Flat Cash Assistance - Note 1	30,869.80	-	30,869.80	30,869.80	-
Level Cash Assistance - Note 1	54,123.26	-	54,123.26	54,123.26	-
Total for Cluster	88,893.56	-	88,893.56	88,893.56	-
<b>OTHER FEDERAL PROGRAMS</b>					
Medicaid	16,697.23	-	16,697.23	16,697.23	-
Johnson O'Malley	5,700.00	4,250.00	4,250.00	5,700.00	5,700.00
<b>TOTAL FEDERAL ASSISTANCE</b>	<b>\$ 3,022,131.46</b>		<b>\$ 284,010.15</b>	<b>\$ 996,767.29</b>	

Note 1 - Funds were expended and properly reported in prior years.  
 Note 2 - Commodity received more of a necessary nature and therefore the total income does not agree with the financial statements by the amount.  
 Note 3 - Basis of Accounting is provided on an other comprehensive basis of accounting conforming with accounting practices prescribed or permitted by the Oklahoma State Department of Education.

\* - Major Program

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

The Honorable Board of Education  
Dahlongegah School District No. CO29  
Adair County, Oklahoma

I have audited the accompanying fund type and account group financial statements regulatory basis of Dahlongegah School District No. CO29, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2011, and have issued my report thereon dated November 6, 2011, which was adverse with regard to the application of accounting principles generally accepted in the United States of America because the entity prepares its financial statements on a statutory (regulatory) basis of accounting that conforms with the accounting practices prescribed by the Oklahoma State Department of Education and budget laws of the State of Oklahoma. In my report my opinion with regard to the prescribed basis of accounting was qualified for the omission of the general fixed asset account group. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my audit procedures for the purposes of expressing my opinions 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, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.

My 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. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dahlongah School District No. CO29's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Dahlongah School District No. CO29 in a separate letter dated November 6, 2011.

This report is intended solely for the information and use of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 6, 2011



Alan Chapman, CPA

**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  
Dahlongah School District No. CO29  
Adair County, Oklahoma

**Compliance**

I have audited the compliance of Dahlongah School District No. CO29 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended June 30, 2011. Dahlongah School District No. CO29'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 requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dahlongah School District No. CO29's management. My responsibility is to express an opinion on Dahlongah School District No. CO29's compliance based on my audit.

I have conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Dahlongah School District No. CO29's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Dahlongah School District No. CO29's compliance with those requirements.

In my opinion, Dahlongah School District No. CO29 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

The management of Dahlongah School District No. CO29 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I

considered Dahlongah School District No. CO29's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Dahlongah School District No. CO29'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.

My 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. I did not identify any deficiencies in internal control over compliance and that I consider to be material weaknesses, as defined above. However, I noted other matters involving the internal control over financial reporting and its operation that I have reported to the School's management in a separate letter dated November 6, 2011.

This report is intended solely for the information of the Board of Education, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 6, 2011



Alan Chapman, CPA

**DAHLONEGAH SCHOOL DISTRICT NO. CO29  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grant: Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Year</u>	<u>Amount of Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
<b><u>Direct Programs:</u></b>		
Title VII Indian Education	6-30-11	\$ 26,901.00
Title VIII Impact Aid	6-30-11	680,197.13
Rural Education Achievement Program	6-30-11	10,791.00
<b><u>Pass-through State Department of Education</u></b>		
<b><u>REAP Cluster</u></b>		
REAP Title II - Part A	6-30-11	12,960.33
REAP Title II - Part D	6-30-11	167.86
REAP Title II - Part D	6-30-11	122.83
Total for Cluster		13,251.02
<b><u>ARRA Cluster</u></b>		
ARRA Education Stabilization	6-30-11	22,794.04
ARRA Government Service Fund	6-30-11	189.92
Total for Cluster		22,983.96
<b><u>Title I Cluster</u></b>		
Title I	6-30-11	51,857.63
Title I ARRA	6-30-11	7,955.74
Total for Cluster		59,813.37
<b><u>Special Education Cluster</u></b>		
IDEA - Part B Flow Through	6-30-11	35,146.67
IDEA - Part B Preschool	6-30-11	5,008.04
ARRA IDEA Part B	6-30-11	11,384.31
Total for Cluster		51,539.02
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
<b><u>Pass-through State Department of Education</u></b>		
Commodities Non Cash Assistance	6-30-11	3,900.50
Breakfast Cash Assistance	6-30-11	30,869.80
Lunch Cash Assistance	6-30-11	54,123.26
Total for Cluster		88,893.56
<b><u>OTHER FEDERAL PROGRAMS</u></b>		
Medicaid	6-30-11	36,697.23
Johnson O'Malley	6-30-11	5,700.00
<b>Total Federal Grants and Assistance</b>		<b>\$ 996,767.29</b>

Note: There were no amounts passed to subrecipients.

Note: The expenditures are presented using the regulatory basis of accounting.

Note: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

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

**DAHLONEGAH SCHOOL DISTRICT NO. CO29  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: I have audited the combined financial statements-regulatory basis of Dahlongegah School District No. CO29, Adair County, Oklahoma, as of and for the year ended June 30, 2011, and have issued my qualified report thereon dated November 6, 2011, which was adverse with regard to the application of accounting principles generally accepted in the United States of America because the entity prepares its financial statements on a statutory (regulatory) basis of accounting that conforms with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the state of Oklahoma. In my report my opinion with regard to the prescribed basis of accounting was qualified for the omission of the General Fixed Asset Account Group.

**Internal Control Over Financial Reporting:**

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED
Noncompliance material to financial statements noted?	NONE REPORTED

**Federal Awards**

**Internal Control Over Major Programs:**

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED

**Type of Auditor's Report Issued on Compliance for Major Programs:**

In conjunction with the audited combined financial statements-regulatory basis of Dahlongegah School District No. CO29, Adair County, Oklahoma, as of and for the year ended June 30, 2011, I have issued my unqualified report thereon dated November 6, 2011, on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	NONE REPORTED
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**Identification of Major Programs:**

Title VIII PL 874 Impact Aid 84.041

**Total**

\$680,197.13

\$680,197.13

The dollar threshold used to distinguish between type A and type B programs was \$300,000.00.

Auditee qualified as low-risk auditee?

YES NO

X

**Section II - Financial Statement Findings:**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs:**

No questioned costs were identified.

DAHLONEGAH SCHOOL DISTRICT NO. CO29  
STATEMENT OF PRIOR YEAR FINDINGS  
JUNE 30, 2011

**PRIOR YEAR FINDINGS:**

There were no prior year findings.

**DAHLONEGAH SCHOOL DISTRICT NO. CO29  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011**

State of Oklahoma

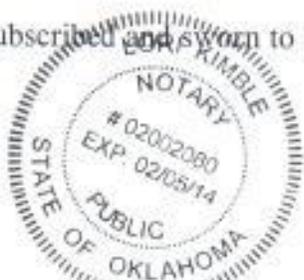
County of Cherokee

The undersigned auditing firm 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 Dahlongegah School for the audit year 2010-2011.

Alan Chapman, C.P.A.

By Alan Chapman  
Authorized Agent

Subscribed and sworn to before me this 1<sup>st</sup> day of July 2011.



Sarah Kimble  
Notary Public

My Commission Expires: 02/05/14  
My Commission Number: 02002080

**AUDIT ACKNOWLEDGMENT**  
**DAHLONEGAH SCHOOL DISTRICT NO. CO29**  
**ADAIR COUNTY, OKLAHOMA**  
**JULY 1, 2010 TO JUNE 30, 2011**

The annual independent audit for the Dahlongegah School District, was presented to the Board of Education in an Open Meeting on December 13, 2011 by Alan Chapman, CPA.

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

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

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

*Jeff Limore*  
 Superintendent

*Phyllis Minter*  
 Board of Education Vice President

\_\_\_\_\_  
 Board of Education President

*Devin Frogg*  
 Board of Education Member

\_\_\_\_\_  
 Board of Education Member



Subscribed and sworn to before me on this 13<sup>th</sup> day of December, 2011.

My Commission Expires: 02/05/14

My Commission Number: 02002080

*Lori Kimble*  
 Notary Public