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State Auditor & Inspector

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITORS'**

**FORT GIBSON SCHOOL DISTRICT NO. 1-3,
Muskogee County, Oklahoma**

JUNE 30, 2011

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Audited by

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK**

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

BOARD OF EDUCATION

President	Jere Gibson
Vice-President	Larry Sand
Clerk	W. Scott Abbott
Member	Darren Kilpatrick
Member	Gerald Taylor

MINUTES CLERK

Diane Hendrix

SCHOOL DISTRICT TREASURER

Diane Hendrix

SUPERINTENDENT OF SCHOOLS

Mr. Derald Glover

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

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JUNE 30, 2011**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Education
Fort Gibson School District Number I-3
Fort Gibson, Muskogee County, Oklahoma

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma (District), as of and for the year ended June 30, 2011, which collectively comprise the District's combined financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, the District prepares its financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which differs from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years, and related depreciation, and thus does not know the amount that should be recorded in the fixed assets. Therefore, the fixed assets have not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma as of June 30, 2011, or the changes in its financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Independent Auditors' Report

In our opinion, except for the omission of the fixed assets which result in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances of Fort Gibson School District Number 1-3, Fort Gibson, Muskogee County, Oklahoma, as of June 30, 2011, the revenues it received and expenditures it paid and encumbered, and the respective budgetary comparisons for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 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 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 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 opinions on financial statements that collectively comprise the District's combined financial statements. The combining financial statements and other 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. 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 Nonprofit Organizations*, and is also not a required part of the combined financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
December 12, 2011

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2011

ASSETS	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	AGENCY FUNDS		
Cash	\$ 1,867,502	563,968	102,460	1,465,676	89,409	-	4,089,015
Investments	-	500,000	1,250,000	-	200,000	-	1,950,000
Amounts available in debt service	-	-	-	-	-	1,465,676	1,465,676
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	3,919,324	3,919,324
Total Assets	\$ 1,867,502	1,063,968	1,352,460	1,465,676	289,409	5,385,000	11,424,015
LIABILITIES AND FUND BALANCES							
Liabilities							
Warrants payable	\$ 445,056	88,417	119,490	-	-	-	652,963
Encumbrances	95,304	68,190	915,614	-	-	-	1,079,108
Unmatured obligations	-	-	-	1,423,560	-	-	1,423,560
Funds held for school organizations	-	-	-	-	289,409	-	289,409
Long-term debt:							
Bonds payable	-	-	-	-	-	5,385,000	5,385,000
Total liabilities	540,360	156,607	1,035,104	1,423,560	289,409	5,385,000	8,830,040
Fund Balances							
Restricted	-	907,361	317,356	42,116	-	-	1,266,833
Unassigned	1,327,142	-	-	-	-	-	1,327,142
Total fund balances	1,327,142	907,361	317,356	42,116	-	-	2,593,975
Total Liabilities and Fund Balances	\$ 1,867,502	1,063,968	1,352,460	1,465,676	289,409	5,385,000	11,424,015

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

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN CASH FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES				TOTALS
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	(MEMORANDUM ONLY)
Revenues collected:					
Local sources	\$ 4,349,730	1,022,627	-	1,418,216	6,790,573
Intermediate sources	291,465	-	-	-	291,465
State sources	5,048,849	153,097	-	9	5,201,955
Federal sources	1,677,274	364,052	-	-	2,041,326
Non-revenue receipts	88,536	410	15	-	88,961
Total revenues collected	11,455,854	1,540,186	15	1,418,225	14,414,280
Expenditures:					
Instruction	7,746,711	-	22,966	-	7,769,677
Support services	3,557,344	722,608	317,609	-	4,597,561
Operation of non-instruction services	134,080	776,010	-	-	910,090
Facilities acquisition & construction services	-	36,540	995,660	-	1,032,200
Other outlays	4,029	35,364	-	1,423,560	1,462,953
Repayments	7,500	762	-	-	8,262
Total expenditures	11,449,664	1,571,284	1,336,235	1,423,560	15,780,743
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	6,190	(31,098)	(1,336,220)	(5,335)	(1,366,463)
Adjustments to prior year encumbrances	5,263	9,648	-	-	14,911
Excess of revenues collected over (under) expenditures	11,453	(21,450)	(1,336,220)	(5,335)	(1,351,552)
Cash fund balance, beginning of year	1,315,689	928,811	1,653,576	47,451	3,945,527
Cash fund balance, end of year	\$ 1,327,142	907,361	317,356	42,116	2,593,975

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

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCE -
BUDGET AND ACTUAL - REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND		SPECIAL REVENUE FUNDS			SINKING FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:									
Local sources	\$ 3,750,157	3,750,157	4,349,730	856,162	856,162	1,022,627	1,376,109	1,376,109	1,418,216
Intermediate sources	267,496	267,496	291,465	-	-	-	-	-	-
State sources	4,945,394	4,945,394	5,048,849	147,686	147,686	153,097	-	-	9
Federal sources	1,174,722	1,174,722	1,677,274	326,575	326,575	364,052	-	-	-
Non-revenue receipts	-	-	88,536	-	-	410	-	-	-
Total revenues collected	10,137,769	10,137,769	11,455,854	1,330,423	1,330,423	1,540,186	1,376,109	1,376,109	1,418,225
Expenditures:									
Instruction	7,883,000	7,721,291	7,746,711	-	-	-	-	-	-
Support services	3,305,000	3,564,914	3,557,344	740,000	1,068,329	722,608	-	-	-
Operation of non-instruction services	127,000	134,080	134,080	958,000	1,118,239	776,010	-	-	-
Facilities acquisition & construction services	-	-	-	-	36,540	36,540	-	-	-
Other outlays	6,000	25,673	4,029	32,000	35,364	35,364	1,423,560	1,423,560	1,423,560
Repayments	10,000	7,500	7,500	-	762	762	-	-	-
Unbudgeted	122,458	-	-	529,234	-	-	-	-	-
Total expenditures	11,453,458	11,453,458	11,449,664	2,259,234	2,259,234	1,571,284	1,423,560	1,423,560	1,423,560
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,315,689)	(1,315,689)	6,190	(928,811)	(928,811)	(31,098)	(47,451)	(47,451)	(5,335)
Adjustments to prior year encumbrances	-	-	5,263	-	-	9,648	-	-	-
Excess of revenues collected over (under) expenditures	(1,315,689)	(1,315,689)	11,453	(928,811)	(928,811)	(21,450)	(47,451)	(47,451)	(5,335)
Cash fund balance, beginning of year	1,315,689	1,315,689	1,315,689	928,811	928,811	928,811	47,451	47,451	47,451
Cash fund balance, end of year	\$ -	-	1,327,142	-	-	907,361	-	-	42,116

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

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Fort Gibson School District Number 1-3, Fort Gibson, Muskogee County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. 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 District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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 (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The Board receives funding from local, intermediate, 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.

These financial statements present only the activities of the District. There are no component units (entities considered to be financially accountable to the District).

B. Measurement Focus

The accounts of the District are organized and operate on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

The District has the following fund types and account groups:

Governmental funds – are used to account for most of the District'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). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund types:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. 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 also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the District's Building Fund and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund – The Child Nutrition Fund consists of monies derived from local food sales and federal and state financial assistance. This fund is used to account for the various nutrition programs provided to students. The District's Child Nutrition Fund is currently maintaining a balance in excess of three months expenditures, based on the previous year, normally allowed by the State Department of Education. The District is holding these funds to purchase equipment, etc. for a new cafeteria area at the high school. A waiver for the maintenance of these excess funds will be obtained from the State Department of Education.

Capital Projects fund – consists of the District's Bond Funds and accounts for the proceeds of bonds sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

Debt Service fund – consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Fiduciary funds – account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

General Long-term Debt – accounts for the outstanding principal balances of 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.

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.
- A General Fixed Asset Account Group is not required or expected by the Department of Education; however, if a school district chooses to present fixed assets in such an account group they are not depreciated.

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.

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the District's investment policy. 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; and 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. Investments are stated at cost. The School District invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

2. Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The regulatory basis of accounting prescribed by the Oklahoma State Board of Education does not require the presentation of fixed assets. As a result, the District has not maintained a record of its fixed assets, and, accordingly, a statement of fixed assets required by generally accepted accounting principles prior to the issuance of GASB No. 34, is not included in the financial statements. Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

7. Compensated Absences

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. District policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Long-term Obligations

The District reports long-term debt at face value in the general long-term debt account group. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. Fund Balance Classifications

Restricted Fund Balance – Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Property Taxes and Other Local 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 tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. 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 timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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. No

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

10. Property Taxes and Other Local Revenues – cont'd

provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

11. Intermediate Revenues

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

12. State Revenues

Revenues from state sources for current operations are primarily governed by 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.

13. Federal Revenues

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

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

14. Non-Monetary Transactions

The District receives commodities from the U. S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

15. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

16. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – cont'd

Budgetary Information – cont'd

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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011 the District held deposits of approximately \$4,099,398 and investments, consisting of certificates of deposit, of \$1,950,000 at financial institutions. The District's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. Therefore, the District was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

**FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The investments held at June 30, 2010 are as follows:

<u>Type</u>	<u>Weighted Avg. Maturity (Months)</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Investments:				
Certificates of deposit	12	N/A	\$ 1,950,000	1,950,000

The District had no investment credit risk as of June 30, 2011, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District had no investment interest rate risk as defined above.

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

A. Deposits and Investments – cont'd

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2011, the District had no concentration of credit risk as defined above.

B. 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 from the date of issue. Debt Service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

On July 1, 2009, the District issued combined purpose bonds in the amount of \$5,385,000 with interest rates ranging from 2.20% to 3.50%. Bond maturities begin July 1, 2011, with an initial installment of \$1,140,000 and increments of \$1,415,000 per year, thereafter, with a final maturity of \$1,415,000 due July 1, 2014.

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2012	\$ 1,140,000	283,560	1,423,560
2013	1,415,000	101,880	1,516,880
2014	1,415,000	70,750	1,485,750
2015	1,415,000	36,083	1,451,083
Total	\$ 5,385,000	492,273	5,877,273

Interest paid on general long-term debt during the current year totaled \$15,860.

**FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011**

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

C. Changes in General Long-term Debt

General long-term debt consists of general obligation bonds payable. The following is a summary of the changes in the general long-term debt transactions of the District for the fiscal year:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Bonds	\$ 6,370,000	-	985,000	5,385,000

4. OTHER INFORMATION

A. 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 these 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 their 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 their account they would be liable for the excess.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

C. Non-Monetary Transactions

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$29,905.

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011

4. OTHER INFORMATION – cont'd

D. 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.

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 employees 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 7.00% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 6.50%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District's employer contribution rate was 9.50%. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011**

4. OTHER INFORMATION – cont'd

D. Employee Retirement System and Plan – cont'd

Annual Pension Cost

The District's total contributions for 2011, 2010, and 2009 were \$1,417,267, \$1,421,506 and \$1,355,215, respectively.

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
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	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%
June 30, 2011	9,960.6	17,560.8	7,600.2	56.7%	3,773.3	201.4%

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

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2011**

4. OTHER INFORMATION – cont'd

E. Surety Bonds

The treasurer is bonded by CNA Surety, bond number 0601 69719384 for the penal sum of \$100,000, term beginning July 1, 2010 and ending June 30, 2011. This is a renewal of a continuous bond.

The activity fund custodian, minutes clerk and encumbrance clerk are bonded by CNA Surety, bond number 0601 68408596 for the penal sum of \$1,000, each, terms beginning March 19, 2011 and ending March 19, 2012. This is a renewal of a continuous bond.

The superintendent is bonded by CNA Surety, bond number 0601 68408596 for the penal sum of \$100,000, term beginning March 19, 2011 and ending March 19, 2012. This is a renewal of a continuous bond.

F. Subsequent Events

Subsequent events have been evaluated through December 12, 2011, which is the date the financial statements were available to be issued.

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
Cash	\$ 400,452	163,516	563,968
Investments	<u>100,000</u>	<u>400,000</u>	<u>500,000</u>
Total Assets	<u>\$ 500,452</u>	<u>563,516</u>	<u>1,063,968</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 33,082	55,335	88,417
Encumbrances	<u>15,154</u>	<u>53,036</u>	<u>68,190</u>
Total liabilities	<u>48,236</u>	<u>108,371</u>	<u>156,607</u>
Fund balances			
Restricted	<u>452,216</u>	<u>455,145</u>	<u>907,361</u>
Total Liabilities and Fund Balances	<u>\$ 500,452</u>	<u>563,516</u>	<u>1,063,968</u>

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND
BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	BUILDING FUND	CHILD NUTRITION FUND	TOTAL
Revenues collected:			
Local sources	\$ 639,342	383,285	1,022,627
State sources	68,641	84,456	153,097
Federal sources	-	364,052	364,052
Non-revenue receipts	-	410	410
Total revenues collected	707,983	832,203	1,540,186
Expenditures:			
Support services	722,608	-	722,608
Operation of non-instruction services	300	775,710	776,010
Facilities acquisition & construction services	36,540	-	36,540
Other outlays	1,954	33,410	35,364
Repayments	-	762	762
Total expenditures	761,402	809,882	1,571,284
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(53,419)	22,321	(31,098)
Adjustments to prior year encumbrances	-	9,648	9,648
Excess of revenues collected over (under) expenditures	(53,419)	31,969	(21,450)
Cash fund balance, beginning of year	505,635	423,176	928,811
Cash fund balance, end of year	\$ 452,216	455,145	907,361

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

**COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES -
BUDGET AND ACTUAL - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	BUILDING FUND			CHILD NUTRITION FUND			TOTALS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:									
Local sources	\$ 535,443	535,443	639,342	320,719	320,719	383,285	856,162	856,162	1,022,627
State sources	66,045	66,045	68,641	81,641	81,641	84,456	147,686	147,686	153,097
Federal sources	-	-	-	326,575	326,575	364,052	326,575	326,575	364,052
Non-revenue receipts	-	-	-	-	-	410	-	-	410
Total revenues collected	<u>601,488</u>	<u>601,488</u>	<u>707,983</u>	<u>728,935</u>	<u>728,935</u>	<u>832,203</u>	<u>1,330,423</u>	<u>1,330,423</u>	<u>1,540,186</u>
Expenditures:									
Support services	740,000	1,068,329	722,608	-	-	-	740,000	1,068,329	722,608
Operation of non-instruction services	-	300	300	958,000	1,117,939	775,710	958,000	1,118,239	776,010
Facilities acquisition & construction services	-	36,540	36,540	-	-	-	-	36,540	36,540
Other outlays	-	1,954	1,954	32,000	33,410	33,410	32,000	35,364	35,364
Repayments	-	-	-	-	762	762	-	762	762
Unbudgeted	367,123	-	-	162,111	-	-	529,234	-	-
Total expenditures	<u>1,107,123</u>	<u>1,107,123</u>	<u>761,402</u>	<u>1,152,111</u>	<u>1,152,111</u>	<u>809,882</u>	<u>2,259,234</u>	<u>2,259,234</u>	<u>1,571,284</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(505,635)	(505,635)	(53,419)	(423,176)	(423,176)	22,321	(928,811)	(928,811)	(31,098)
Adjustments to prior year encumbrances	-	-	-	-	-	9,648	-	-	9,648
Excess of revenues collected over (under) expenditures	<u>(505,635)</u>	<u>(505,635)</u>	<u>(53,419)</u>	<u>(423,176)</u>	<u>(423,176)</u>	<u>31,969</u>	<u>(928,811)</u>	<u>(928,811)</u>	<u>(21,450)</u>
Cash fund balance, beginning of year	<u>505,635</u>	<u>505,635</u>	<u>505,635</u>	<u>423,176</u>	<u>423,176</u>	<u>423,176</u>	<u>928,811</u>	<u>928,811</u>	<u>928,811</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>452,216</u>	<u>-</u>	<u>-</u>	<u>455,145</u>	<u>-</u>	<u>-</u>	<u>907,361</u>

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
ALL FIDUCIARY FUND TYPES
JUNE 30, 2011

	<u>AGENCY FUND</u> <u>ACTIVITY FUND</u>
<u>ASSETS</u>	
Cash	\$ 89,409
Investments	<u>200,000</u>
Total Assets	<u>\$ 289,409</u>
 <u>LIABILITIES</u>	
Liabilities	
Funds held for school organizations	<u>\$ 289,409</u>

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>ASSETS</u>	<u>BALANCE</u> 7-01-10	<u>ADDITIONS</u>	<u>ADJUST./</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-11
Cash	\$ 29,972	845,950	28,667	815,180	89,409
Investments	200,000	-	-	-	200,000
TOTAL ASSETS	\$ 229,972	845,950	28,667	815,180	289,409
<u>LIABILITIES</u>					
Funds held for school organizations:					
Athletics	\$ 12,773	104,306	42,288	144,420	14,947
Concession	16,088	42,956	(31,677)	20,431	6,936
General	288	-	13	-	301
FFA	6,715	73,589	563	72,779	8,088
Special Olympics	3,799	7,441	1,266	9,105	3,401
Drama	8,622	14,953	(45)	19,021	4,509
Juniors	1,604	5,720	178	7,456	46
FCCLA	937	5,016	(35)	5,611	307
Spirit Club	1,297	11,142	178	6,471	6,146
Seniors	1,208	4,251	(100)	4,585	774
Color Guard	427	2,154	(1,345)	1,130	106
FCA	2,039	500	-	1,224	1,315
Student Council	3,867	3,611	11	4,060	3,429
Baseball Camp	-	1,305	440	1,168	577
French Club	240	-	-	240	-
Band Parents	9,944	98,428	1,270	97,151	12,491
Newspaper	1,018	213	-	156	1,075
Interest	5,042	500	2,445	5,217	2,770
NHS	4,215	1,652	3,919	5,672	4,114
Before & After School	14,453	48,045	(415)	34,037	28,046
Banquet	7,636	5,251	4,979	6,142	11,724
Refund	-	8,532	-	8,532	-
SADD	189	-	-	-	189
Swim Team	3,715	19,201	2,885	21,884	3,917
Elementary Yearbook	4,816	9,000	(2,000)	7,415	4,401
ELC Activity	2,155	4,558	1,034	6,384	1,363
Tiger Sharks	4,467	7,994	249	8,958	3,752
HS Academic Team	5	-	-	-	5
Math & Science Club	1,134	470	(35)	467	1,102
IE PE	4,111	4,257	-	4,783	3,585

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-01-10	ADDITIONS	ADJUST./ TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
Funds held for school organizations (cont'd):					
Coca Cola	\$ 7,172	-	(533)	6,473	166
4-H	-	-	-	-	-
Technology Student Assoc.	3,487	2,794	(141)	4,108	2,032
Girls Basketball Boosters	2,601	39,667	(1,032)	36,813	4,423
NASA	374	380	(35)	444	275
MS Academic Team	186	100	-	69	217
ELC PE	901	4,808	-	4,884	825
IE Building	3,212	3,678	970	3,023	4,837
HS Statistics	1	-	-	-	1
Soccer Booster Club	1,637	6,709	1,589	7,986	1,949
Spanish Club	1,597	355	(35)	192	1,725
ELC PTO	5,334	18,442	-	12,209	11,567
Touchdown Club	757	38,200	(3,219)	29,246	6,492
General Clearing	-	1,040	105	1,145	-
Boys Basketball Booster Club	977	9,730	2,471	10,645	2,533
MS Student Council	11,962	10,099	62	9,555	12,568
Softball	1,684	6,073	(492)	6,464	801
Alpha/Omega Club	284	636	-	449	471
PDC	5,031	25	360	80	5,336
Livestock Booster Club	3,013	10,655	(517)	12,868	283
Freshman/Sophomore Class	735	790	(20)	722	783
MS Library	1,013	7,248	35	6,517	1,779
Vocal Music	2,565	3,515	39	4,455	1,664
Takedown Club	288	18,376	2,825	17,506	3,983
Advisory Council	1,799	1,273	(505)	98	2,469
IE Student Council	491	231	-	436	286
MS Teacher Pop	278	267	-	284	261
HS Pop Fund	1,111	2,336	-	1,790	1,657
Adm. Building Pop Fund	746	299	-	46	999
Tiger Wrestling	30	4,134	35	4,185	14
Dugout Club	4,550	23,858	1,585	26,800	3,193
Tiger Iron	884	810	-	1,209	485
Girls BB Camp	5	6,830	746	746	6,835
ELC Library	255	7,593	-	7,772	76
Teens for Christ	57	159	-	215	1
HS Art	-	250	(35)	214	1
MS Cheerleaders	1,516	8,962	-	7,127	3,351
HS Yearbook	20,800	36,742	465	40,124	17,883

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-01-10	ADDITIONS	ADJUST./ TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
Funds held for school organizations (cont'd):					
Jump Rope for Heart	\$ -	-	-	-	-
IE PTO	4,196	8,469	1,298	10,601	3,362
IE Library	271	10,464	-	10,082	653
Softball Camp	181	-	-	180	1
Boys BB Camp	1	6,530	(813)	-	5,718
Football Camp	4	5,310	65	241	5,138
Youth Basketball League	41	8,752	(806)	4,323	3,664
MS Student Pop	7,462	1,350	(115)	-	8,697
Alt Ed Pop	725	195	-	121	799
Tiger Vision	761	979	(85)	1,160	495
Band Resale	153	9,824	(171)	9,679	127
9th Grade Cheer	3,033	2,586	-	3,058	2,561
Tiger Theatre	1,058	-	-	-	1,058
Freshman Class	265	1,200	-	1,313	152
HS Advertisement	1,535	1,031	100	2,416	250
Golf	149	193	-	193	149
Tiny Tigers	-	26,958	(1,595)	415	24,948
TOTAL LIABILITIES	\$ 229,972	845,950	28,667	815,180	289,409

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskegee County, Oklahoma

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 Grantor's Number	Approved Amount	Balance at July 1, 2010	Receipts	Expenditures	Balance at June 30, 2011
U.S. Department of Education:							
<u>Direct Programs:</u>							
Title VIIA, Indian education	84.060A	S060A101103	\$ 178,708	-	174,131	178,708	-
Title VIIA, Indian education 2009-10 - Note 1	84.060A	S060A091103	-	-	73,017	-	-
Sub Total			178,708	-	247,148	178,708	-
<u>Passed Through State Department of Education:</u>							
Title I	84.010		275,249	-	224,910	269,175	6,074
Title I 2009-10 - Note 1	84.010		-	-	33,431	-	-
ARRA, Title I	84.389	S389A090036	106,168	36,887	53,686	36,887	-
Title IIA, Teacher and Principal Training/Recruiting	84.367	S367A100035	77,299	-	29,578	70,639	6,660
Title IIA, Teacher and Principal Training/Recrftng 2009-10 - Note 1	84.367	S367A090035	-	-	12,376	-	-
Title IID, Enhancing Education Through Technology - Formula	84.318	S318X100036	564	-	-	564	-
Title IID, Enhancing Ed. Through Tech. - Professional Development	84.318	S318X100036	188	-	-	188	-
Title IID, Enhncng Ed. Through Tech. - Prof. Dev. 2009-10 - Note 1	84.318	S318X090036	2,580	-	530	2,580	-
Title IVA, Safe & drug free schools/communities	84.186		-	-	1,048	-	-
Title IVA, Safe & drug free schools/communities 2009-10 - Note 1	84.186		-	-	29,869	34,848	15,688
Title VIB, REAP	84.358	S358B100036	50,536	-	-	-	-
Title VIB, REAP 2009-10 - Note 1	84.358	S358B090036	-	-	9,928	-	-
IDEA-B Flow Through *	84.027	H027A100051	339,878	-	252,489	301,033	38,845
IDEA-B Flow Through 2009-10 - Note 1	84.027	H027A090051	-	-	40,570	-	-
ARRA, IDEA-B Flow Through	84.391	H391A090051	408,953	83,294	66,970	77,426	5,868
IDEA-B Preschool *	84.173	H173A100084	6,425	1,564	6,425	6,425	-
ARRA, IDEA-B preschool	84.392	H392A090084	10,734	-	-	-	1,564
ARRA, State Fiscal Stabilization Fund *	84.394		381,114	21,748	381,114	381,114	-
ARRA, Government Service Fund	84.397		21,748	-	-	21,748	-
ARRA, Education JOBS Fund	84.410		322,409	-	186,392	216,378	106,031
Sub Total			2,003,845	143,493	1,329,316	1,419,005	180,730
<u>Passed Through State Department of Vocational Technical Education:</u>							
Carl Perkins grant	84.048		26,221	-	-	19,092	7,129
Carl Perkins grant 2009-10 - Note 1	84.048		-	-	6,403	-	-
Carl Perkins Gateway to Technology grant	84.048		25,000	-	17,506	17,506	7,494
Sub Total			51,221	-	23,909	36,598	14,623

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskegee County, Oklahoma

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 Grantor's Number	Approved Amount	Balance at July 1, 2010	Receipts	Expenditures	Balance at June 30, 2011
<u>Passed Through State Department of Human Services:</u> Medical assistance program (medicaid)	93.778	G731046249	\$		25,852	25,852	
<u>U.S. Department of Agriculture:</u> <u>Passed Through State Department of Human Services:</u> National school lunch program *	10.555	51-12			279,201	279,201	
National school lunch program - commodities *	10.555				29,905	29,905	
School breakfast program *	10.553	51-12			84,851	84,851	
Sub Total					393,957	393,957	
<u>U.S. Department of the Interior:</u> <u>Passed Through the Citizen Potawatomi Nation:</u> Johnson O'Malley	15.130		37,850	-	25,234	37,850	-
Johnson O'Malley 2009-10 - Note 1	15.130		-	-	25,352	-	-
Flood Control	12.112		-	-	463	463	-
Sub Total			37,850	-	51,049	38,313	-
Total Expenditures of Federal Awards - Note 3			\$ 2,271,624	143,493	2,071,231	2,092,433	195,353

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

Note 2: This amount represents federal non-cash assistance received in the form of commodities.

Note 3: Total revenue includes \$29,905 in non-cash assistance.

* Major program

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

The Honorable Board of Education
Fort Gibson School District Number I-3
Fort Gibson, Muskogee County, Oklahoma

We have audited the fund type and account group financial statements, including budget and actual, of the Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma (District), as of and for the year ended June 30, 2011, which collectively comprise the District's combined financial statements, and have issued our report thereon dated December 12, 2011. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting practices prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 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, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the board of education, management, others within the entity, the Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
December 12, 2011

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Education
Fort Gibson School District Number I-3
Fort Gibson, Muskogee County, Oklahoma

Compliance

We have audited the Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma's (District) compliance with the types of compliance requirements described in the *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 auditors' 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 Fort Gibson School District Number I-3, Oklahoma County, Oklahoma's compliance based on our audit.

We conducted our 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 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 Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Fort Gibson School District Number I-3, Fort Gibson, Muskogee County, Oklahoma complied, in all material respects, with the 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.

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Internal Control Over Compliance

Management of the Fort Gibson School District Number 1-3, Fort Gibson, Muskogee County, Oklahoma 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 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 the 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 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 board of education, management, others within the entity, the Oklahoma State Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
December 12, 2011

**FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Adverse
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
• Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal program or Cluster</u>
84.027	IDEA-B Flow Through
84.173	IDEA-B Preschool
84.394	ARRA, State Fiscal Stabilization Fund
10.555	National School Lunch Program, NSLP-Commodities
10.553	School Breakfast Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

FORT GIBSON SCHOOL DISTRICT NO. 1-3
Muskogee County, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II – Findings Related to Financial Reporting

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Section III – Findings Related to Federal Awards Compliance

There were no findings or questioned costs, or material weakness or reportable conditions in internal control that are required to be reported.

**FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no prior year findings or questioned costs.

FORT GIBSON SCHOOL DISTRICT NO. I-3
Muskogee County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2011

State of Oklahoma)
)ss
County of Pottawatomie)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' 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 Fort Gibson Public Schools for the audit year 2010-11.

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm

by 
Authorized Agent

Subscribed and sworn to before me this 12th day of December, 2011.


Notary Public (Commission #11002236)
My commission expires March 10, 2015



Janet Barrisi
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

Fort Gibson School District, I-3
Muskogee County, Oklahoma
2011

The annual independent audit for the Fort Gibson School District was presented to the Board of Education in an Open Board Meeting on January 9, 2012, by Pamela R. Dotson of Wilson, Dotson & Associates.

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

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

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

Donald Glover
Superintendent of Schools

Janet Barrisi
Board of Education President

Jim Hill
Board of Education Vice President

Harold Taylor
Board of Education Member

Terrence K. Patrick
Board of Education Member

Scott Elliott
Board of Education Member

Board of Education Member

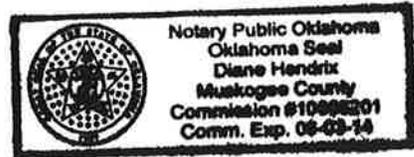
Board of Education Member

Board of Education Member

Subscribed and sworn to before me on this 10th day of JANUARY, 2012.
My commission expires on 30th day of August, 2014.

Diane Hendrix
Notary Public

Affix Notary Seal



WILSON, DOTSON & ASSOCIATES, P.L.L.C.

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Oklahoma Society of Certified Public Accountants

December 12, 2011

Mr. Derald Glover, Supt.
Fort Gibson Public Schools
500 South Ross Avenue
Fort Gibson, OK 74434-8422

Dear Mr. Glover:

Listed below are the audit exceptions and recommendations relayed to management that are matters which were not included, but were referred to, in the audit report. Please review them very carefully. If you have questions or desire additional information, please call me so that any discrepancies may be resolved.

Activity Fund

1. Of the school activity fund checks examined, several had at least one invoice and/or delivery ticket that had not been initialed and dated by a designated school employee to reflect that the goods were received or services rendered. We recommend that every check issued be supported by documentation that has been signed as received.
2. Purchase order forms were used during the audit period for the activity fund. However, from our examination of these purchase orders and the related records, it appears that the majority of the checks tested were not encumbered against the applicable sub-account balances before the indebtedness was incurred. The use of purchase orders or requisitions for activity fund expenditures ensures that there are sufficient funds within a sub-account to pay for the order that is to be placed. We, therefore, recommend that these forms be completed prior to incurring any activity fund indebtedness.

Purchase Orders

Of the purchase orders examined, several were paid in excess of \$25,000 that did not have the required "non-kickback" affidavit attached. We recommend that non-kickback affidavits be obtained for all paid purchase orders in excess of \$25,000, as required by Oklahoma Statutes.

General Fund Appropriations

We observed during the audit that the expenditures for the instruction bold line item code exceeded the appropriations for that line item by (\$25,421). The general fund's total expenditures remained within the fund's total appropriation. We recommend that the District monitor the appropriations within each fund to insure that expenditures never exceed the appropriations for bold line item function codes, as required by the Governmental Accounting Standards Board.

Mr. Derald Glover, Supt.
Page 2

ARRA, State Fiscal Stabilization Fund

We observed during the audit that the District did not specifically classify to this program's project code sufficient expenditures to expend all of the monies that were received. We recommend that this be done in the future. The District received \$381,114, but only had \$365,266 classified to the program's project code. The difference of \$15,848 had been classified to the District's local project code.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite work. It is truly a delight to work with such capable individuals as Diane, Jarita, Myra and Nancy.

Sincerely,

A handwritten signature in cursive script that reads "Wilson, Dotson & Assoc.".

Wilson, Dotson & Associates, P.L.L.C.

FORT GIBSON PUBLIC SCHOOLS

500 South Ross
Fort Gibson, Oklahoma 74434



Telephone (918) 478-2474

FAX (918) 478-8533

Derald Glover, Superintendent
Linda Clinkenbeard, Assistant Superintendent

January 17, 2012

Ms. Pam Dotson
Wilson, Dotson & Assoc., P.L.L.C.
907 East 35th Unit 4
Shawnee, OK 74804

Dear Ms. Dotson:

In response to the audit exceptions and recommendations from you regarding Fort Gibson Schools 2011 Independent Audit the following are the recommendations of the Board of Education:

Activity Fund

Findings within the Activity Fund were the same as those in the previous year's audit report. However, the findings were received from the auditor too late to be addressed for the entirety of the 2011 school year. The Activity Fund Custodians are aware of the exceptions and recommendations listed and have taken steps to insure that these exceptions will not continue in the future.

- (1) All checks issued are now supported by documentation that has been signed as received.
- (2) Purchase orders with proper documentation are now completed and funds are properly encumbered before checks are issued.

Purchase Orders

The Encumbrance Clerk and the Child Nutrition Fund Custodian have been made aware of the omission of several required "non-kickback" affidavits for purchase orders in excess of \$25,000. More attention will be given to insuring that required affidavits are attached to purchase orders.

General Fund Appropriations

The Encumbrance Clerk has discussed in detail with the auditor the issues concerning the expenditures for the instruction bold line item code that exceeded appropriations. The Encumbrance Clerk now has a better understanding of appropriations for specific line items and will be monitoring the appropriations within each fund to insure that expenditures never exceed the appropriations for bold line item function codes.

Additionally, applications for Supplemental Appropriations will be filed on a timely basis, as needed.

ARRA, State Fiscal Stabilization Fund

The Encumbrance Clerk has been made aware of the insufficient expenditures classified to expend all the monies that were received. The Encumbrance Clerk is working with the State Department of Education to insure that all monies are properly expended and that all expenditures are correctly classified.

Thank you for your assistance in improving the record keeping in our offices.

Sincerely,

A handwritten signature in black ink, appearing to read "Derald Glover". The signature is written in a cursive style with a large initial "D".

Derald Glover

Superintendent of Schools