

*Independent Auditor's Report*  
**Healdton, ISD # 55**  
*Carter County, Oklahoma*  
*Year Ending June 30, 2011*

**FILED**

**OCT 12 2011**

**State Auditor & Inspector**

**HEALDTON INDEPENDENT SCHOOL DISTRICT NO. 55**  
**CARTER COUNTY, OKLAHOMA**  
**JUNE 30, 2011**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>SCHOOL DISTRICT OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2
<u>COMBINED FINANCIAL STATEMENTS</u>	
Combined Statement of Assets, Liabilities and Equity - Regulatory Basis - All Fund Types and Account Groups	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types	6
Notes to Combined Financial Statements	7
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>Combining Financial Statements</u>	
Combining Statement of Assets, Liabilities and Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-1
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Regulatory Basis - All Special Revenue Funds	Exhibit A-2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Regulatory Basis-All Special Revenue Funds	Exhibit A-3
Combining Assets, Liabilities and Fund Equity - Activity Fund - Regulatory Basis	Exhibit A-4
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - Activity Funds	Exhibit A-5
<u>Supporting Schedule(s)</u>	
Schedule of Federal Awards Expended	Exhibit B-1
<u>INTERNAL CONTROL AND COMPLIANCE REPORTS</u>	
* Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards	Exhibit C-1
* Independent Auditor's 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	Exhibit D-1
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	
Summary of Auditor's Results	Exhibit E-1
Findings Related to Financial Reporting	Exhibit E-1
Findings Related to Federal Awards Compliance	Exhibit E-1
Summary Schedule of Prior year Audit Findings	Exhibit F-1

HEALDTON INDEPENDENT SCHOOL DISTRICT NO. 55  
CARTER COUNTY, OKLAHOMA  
JUNE 30, 2011

TABLE OF CONTENTS

OTHER INFORMATION

Page

Schedule of Accountants' Professional Liability Insurance

Exhibit G-1

\* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

HEALDTON INDEPENDENT SCHOOL DISTRICT NO. I-55, CARTER COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011

**BOARD OF EDUCATION**

President	Danny Campbell
Vice President	Chris Sparks
Clerk	Cynde Sanders
Member	Scott Webb
Member	Carey Powell

**SUPERINTENDENT OF SCHOOLS**

Don Lewis

**ENCUMBRANCE CLERK**

Mary Wingo

**SCHOOL DISTRICT TREASURER**

Kim Glenn

---

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Healdton Independent School District No. 55  
Carter County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Healdton Independent School District No. 55**, Carter County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements. 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, **Healdton Independent School District No. 55**, Carter County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has 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 **Healdton Independent School District No. 55**, Carter County, Oklahoma, as of June 30, 2011, or the changes in its financial position for the year then ended.

**Healdton Independent School District**

October 10, 2011

In our opinion, except for the omission of the General Fixed Asset Account Group results 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 equity arising from regulatory basis transactions of each fund type and account group of **Healdton Independent School District, No 55**, Carter County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011, on our consideration of the School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise **Healdton Independent School District #55**, Carter County, Oklahoma, as a whole. The combining fund statements and other schedules as 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 the *Oklahoma Department of Education and/or the 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 of **Healdton Independent School District No. 55**, Carter County, Oklahoma. The combining fund 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 on the regulatory basis of accounting described in Note 1.

*Angela Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 10, 2011

COMBINED FINANCIAL STATEMENTS

**Headton School District No.1-055, Carter County, Oklahoma  
 Combined Statement of Assets, Liabilities and Equity  
 Regulatory Basis - All Fund Types and Account Groups  
 For the Year Ending June 30, 2011**

ASSETS	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects			
Cash and Cash Equivalents	\$ 994,976	\$ 164,434	\$ 71,971	\$ 841,957	\$ 91,366	\$ 0	\$ 2,164,703
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	71,971	71,971
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	1,168,029	1,168,029
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	25,882	25,882
<b>Total Assets</b>	<b>\$ 994,976</b>	<b>\$ 164,434</b>	<b>\$ 71,971</b>	<b>\$ 841,957</b>	<b>\$ 91,366</b>	<b>\$ 1,265,882</b>	<b>\$ 3,430,585</b>

**LIABILITIES AND FUND BALANCE**

Liabilities:	\$ 234,493	\$ 10,616	\$ 0	\$ 0	\$ 0	\$ 0	\$ 245,109
Warrants Payable	58,960	728	0	62,291	0	0	121,979
Reserve for Encumbrances	0	0	0	0	91,366	0	91,366
Due to Activity Groups	0	0	0	0	0	1,240,000	1,240,000
General Obligation Bonds Payable	0	0	0	0	0	25,882	25,882
Capitalized Lease Obligations Payable	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>\$ 293,454</b>	<b>\$ 11,344</b>	<b>\$ 0</b>	<b>\$ 62,291</b>	<b>\$ 91,366</b>	<b>\$ 1,265,882</b>	<b>\$ 1,724,336</b>
Fund Equity:	\$ 0	\$ 0	\$ 71,971	\$ 0	\$ 0	\$ 0	\$ 71,971
Reserved for Debt Service	0	0	0	779,666	0	0	779,666
Reserved for Capital Projects	701,522	153,090	0	0	0	0	854,612
Cash Fund Balance	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>\$ 701,522</b>	<b>\$ 153,090</b>	<b>\$ 71,971</b>	<b>\$ 779,666</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,706,249</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 994,976</b>	<b>\$ 164,434</b>	<b>\$ 71,971</b>	<b>\$ 841,957</b>	<b>\$ 91,366</b>	<b>\$ 1,265,882</b>	<b>\$ 3,430,585</b>

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

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
<b>Revenue Collected:</b>					
Local Sources	\$ 616,866	\$ 110,406	\$ 298,768	\$ 57	\$ 1,026,098
Intermediate Sources	88,187	0	0	0	88,187
State Sources	2,378,853	50,234	0	0	2,429,087
Federal Sources	665,471	144,272	0	0	809,743
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 3,749,377</u>	<u>\$ 304,912</u>	<u>\$ 298,768</u>	<u>\$ 57</u>	<u>\$ 4,353,114</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 2,369,259	\$ 43,139	\$ 0	\$ 0	\$ 2,412,398
Support Services	1,019,526	95,713	0	0	1,115,239
Operation of Non-Instructional Services	11,879	180,589	0	0	192,468
Facilities Acquisition and Construction	34,645	0	0	121,067	155,712
Other Outlays	289	0	0	0	289
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	25	0	0	0	25
Debt Service:					
Principal Retirement	0	0	375,000	0	375,000
Interest and Fiscal Agent Fees	0	0	20,900	0	20,900
<i>Total Expenditures Paid</i>	<u>\$ 3,435,623</u>	<u>\$ 319,441</u>	<u>\$ 395,900</u>	<u>\$ 121,067</u>	<u>\$ 4,272,031</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 313,754</u>	<u>\$ (14,529)</u>	<u>\$ (97,132)</u>	<u>\$ (121,010)</u>	<u>\$ 81,083</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 1,479</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,479</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	0	0	890,000	890,000
Transfers In	0	26,272	0	0	26,272
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 26,272</u>	<u>\$ 0</u>	<u>\$ 890,000</u>	<u>\$ 916,272</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 315,233</u>	<u>\$ 11,744</u>	<u>\$ (97,132)</u>	<u>\$ 768,990</u>	<u>\$ 998,834</u>
<i>Fund Balance - Beginning of Year</i>	<u>386,289</u>	<u>141,346</u>	<u>169,104</u>	<u>10,675</u>	<u>707,414</u>
<i>Fund Balance - End of Year</i>	<u>\$ 701,522</u>	<u>\$ 153,090</u>	<u>\$ 71,971</u>	<u>\$ 779,665</u>	<u>\$ 1,706,249</u>

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

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 549,304	\$ 549,304	\$ 616,866	\$ 110,493	\$ 110,493	\$ 110,406	\$ 302,459	\$ 302,459	\$ 298,768
Intermediate Sources	86,000	86,000	88,187	0	0	0	0	0	0
State Sources	2,377,761	2,377,761	2,378,853	40,357	40,357	50,234	0	0	0
Federal Sources	523,178	523,178	665,471	147,000	147,000	144,272	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 3,536,243</b>	<b>\$ 3,536,243</b>	<b>\$ 3,749,377</b>	<b>\$ 297,850</b>	<b>\$ 297,850</b>	<b>\$ 304,912</b>	<b>\$ 302,459</b>	<b>\$ 302,459</b>	<b>\$ 298,768</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 3,922,532	\$ 3,922,532	\$ 2,369,259	\$ 55,157	\$ 55,157	\$ 43,139	\$ 0	\$ 0	\$ 0
Support Services	0	0	1,019,526	169,500	169,500	95,713	0	0	0
Operation of Non-Instructional Services	0	0	11,879	242,540	242,540	180,589	0	0	0
Facilities Acquisition and Construction	0	0	34,945	0	0	0	0	0	0
Other Outlays	0	0	289	0	0	0	471,563	471,563	395,900
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	25	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 3,922,532</b>	<b>\$ 3,922,532</b>	<b>\$ 3,435,623</b>	<b>\$ 467,197</b>	<b>\$ 467,197</b>	<b>\$ 319,441</b>	<b>\$ 471,563</b>	<b>\$ 471,563</b>	<b>\$ 395,900</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (386,289)</b>	<b>\$ (386,289)</b>	<b>\$ 313,754</b>	<b>\$ (169,346)</b>	<b>\$ (169,346)</b>	<b>\$ (14,529)</b>	<b>\$ (169,103)</b>	<b>\$ (169,103)</b>	<b>\$ (97,132)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,479</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	28,000	28,000	26,272	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ 26,272</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (386,289)</b>	<b>\$ (386,289)</b>	<b>\$ 315,233</b>	<b>\$ (141,346)</b>	<b>\$ (141,346)</b>	<b>\$ 11,744</b>	<b>\$ (169,103)</b>	<b>\$ (169,103)</b>	<b>\$ (97,132)</b>
<b>Fund Balance - Beginning of Year</b>	<b>386,289</b>	<b>386,289</b>	<b>386,289</b>	<b>141,346</b>	<b>141,346</b>	<b>141,346</b>	<b>169,104</b>	<b>169,104</b>	<b>169,104</b>
<b>Fund Balance - End of Year</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 701,522</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 153,090</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 71,971</b>

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

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Healdton Public Schools Independent District No. 55, Carter County, Oklahoma (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.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 the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

**1.B. Fund Accounting**

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, Governmental Fund Types, (continued)**

**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).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

**2. Special Revenue Funds** - The Special Revenue Funds of the District consist of the Building Fund, Child Nutrition Fund, and Cooperative Fund.

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.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

Cooperative Fund - The Cooperative fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. Healdton School is the LEA for an Alternative Education Program. The revenues necessary to operate a cooperative program come from state sources and the individual contributions of participating school districts. The expenditures for this fund consist of those necessary to operate and maintain the joint program.

**3. Debt Service Fund** - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term 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.

**4. Capital Projects Fund** - The Capital projects fund consists of the District's 2008 Combined Purpose bond fund and the 2011 Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites constructing and equipping new school facilities and renovating existing facilities.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**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, trust funds are used for their accounting and reporting. 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.

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

**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.

1. General long-term Debt Account Group - This account group is used 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.

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

**Memorandum Only - Total Column**

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

**1.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 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.C. Basis of Accounting and Presentation, (continued)**

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.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

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 tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

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.

Inventories – The value of consumable inventories at June 30, 2011, is not material to the basic financial statements.

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

Rights to receive a bonus upon retirement have been reported in the general long-term debt account since none of this is expected to be liquidated with expendable available financial resources.

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

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

**1.F. Revenue, Expenses, and Expenditures**

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.F. Revenue, Expenses, and Expenditures, (continued)**

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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 expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2011:

			<u>Carrying Value</u>
Deposits			
Demand Deposits	\$		2,173,405.90
Time Deposits			<u>0.00</u>
Total Deposits	\$		<u><u>2,173,405.90</u></u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ <u>0.00</u>
Total Investments			\$ <u><u>0.00</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents	\$		2,164,703.00
Activity Fund Outstanding Checks			<u>8,702.90</u>
Total Deposits and Investments	\$		<u><u>2,173,405.90</u></u>

**Custodial Credit Risk** – Exposure to custodial credit 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.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 2 – Deposit and Investment Risk, (continued)**

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 debt 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 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.
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 consist 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, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. 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 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 discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 2 – Deposit and Investment Risk, (continued)**

**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 (any over 5 percent are disclosed). 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.

**Note 3 - General Long-term Debt**

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

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

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	725,000	34,177	0	759,177
Additions	890,000	0	0	890,000
Retirements	375,000	8,295	0	383,295
Balance, June 30, 2011	1,240,000	25,882	0	1,265,882

A brief description of the outstanding general obligation bond issues at June 30, 2011, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2011 Building Bond Fund	1.1 to 2.15%	May 1, 2017	\$ 890,000	\$ 890,000
2008 Combined Purpose Bonds	2.9 to 3.75%	April 1, 2013	690,000	350,000
<b>Totals</b>			<b>\$ 1,580,000</b>	<b>\$ 1,240,000</b>

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 3 - General Long-term Debt, (continued)**

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<b>2011 Building Bonds</b>					
2011-2012	\$ 0	\$	14,993	\$	14,993
2012-2013	175,000		14,992		189,992
2013-2014	175,000		11,230		186,230
2014-2015	175,000		9,305		184,305
2015-2016	175,000		6,768		181,768
2016-2017	190,000		3,705		193,705
<b>Sub Total</b>	<b>\$ 890,000</b>	<b>\$</b>	<b>60,992</b>	<b>\$</b>	<b>950,992</b>
<b>2008 Combined Purpose Bonds</b>					
2011-12	\$ 175,000	\$	9,975	\$	184,975
2012-13	175,000		5,075		180,075
<b>Sub Total</b>	<b>\$ 350,000</b>	<b>\$</b>	<b>15,050</b>	<b>\$</b>	<b>365,050</b>
<b>Total Bonds</b>	<b>\$ 1,240,000</b>	<b>\$</b>	<b>76,042</b>	<b>\$</b>	<b>1,316,042</b>

Interest expense on bonds payable incurred during the current year totaled \$20,900.

The District has entered into a lease agreement as lessee for financing the acquisition of a copier. This lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. This lease contains a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted 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 above asset as assets in the General Fixed Asset Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease.

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

<u>Year Ending June 30</u>		<u>Copier</u>		<u>Total</u>
2012	\$	9,816	\$	9,816
2013		9,816		9,816
2014		8,180		8,180
Total	\$	27,812	\$	27,812
Less: Amount Representing Interest		(1,930)		(1,930)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$</b>	<b>25,882</b>	<b>\$</b>	<b>25,882</b>

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. 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.

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

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. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. 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, and 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 Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50%, of applicable compensation for the year ended June 30, 2011. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$182,258, \$195,849, and \$186,680 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$1918876; the District's total compensation was \$2,608,890. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$8,957) and 9.50% of compensation arising from post retirement employees (\$6,641). There were \$103,477 contributions made by employees during the year ended June 30, 2011.

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2010, is as follows:

**Healdton ISD No. 55, Carter County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System (continued)**

Total pension obligation	\$ 19,980,640,592
Net assets available for benefits, at cost	<u>9,566,683,405</u>
Nonfunded pension benefit obligation	<u>\$ 10,413,957,187</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of 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 come due.

**Note 5 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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 6 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**Note 7 - Use of Estimates**

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education 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. Actual results could differ from those estimates.

**Note 8 – Surety Bonds**

The Treasurer is bonded by Western Surety Company bond number 18258029 for the penal sum of \$100,000 for the term September 18, 2010 to September 18, 2011.

The minutes, encumbrance and child nutrition fund clerk are bonded by Western Surety Company bond number 68742608 for the penal sum of \$1,000 for the term June 19, 2010 to June 19, 2011.

The superintendent is bonded by Western Surety Company bond number 69925151 for the penal sum of \$100,000 for the term July 1, 2010 to July 1, 2011.

The activity fund custodian is bonded by Western Surety Company bond number 69937754 for the penal sum of \$1,000 for the term July 1, 2010 to July 1, 2011.

OTHER SUPPLEMENTAL INFORMATION

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Cash Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2011**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>Coop Fund</u></b>	<b><u>Total June 30, 2011</u></b>
Cash and Cash Equivalents	\$ 90,215	\$ 69,557	\$ 4,661	\$ 164,434
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 90,215</u>	<u>\$ 69,557</u>	<u>\$ 4,661</u>	<u>\$ 164,434</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 1,163	\$ 7,720	\$ 1,732	\$ 10,616
Reserve for Encumbrances	<u>728</u>	<u>0</u>	<u>0</u>	<u>728</u>
<i>Total Liabilities</i>	<u>\$ 1,891</u>	<u>\$ 7,720</u>	<u>\$ 1,732</u>	<u>\$ 11,344</u>
Fund Balance:				
Cash Fund Balance	\$ 88,324	\$ 61,837	\$ 2,929	\$ 153,090
<i>Total Fund Balance</i>	<u>\$ 88,324</u>	<u>\$ 61,837</u>	<u>\$ 2,929</u>	<u>\$ 153,090</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 90,215</u>	<u>\$ 69,557</u>	<u>\$ 4,661</u>	<u>\$ 164,434</u>

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ending June 30, 2011**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Cooperative Fund</u>	<u>Total June 30, 2011</u>
<b>Revenue Collected:</b>				
Local Sources	\$ 80,930	\$ 41	\$ 29,435	\$ 110,406
Intermediate Sources	0	0	0	0
State Sources	3,004	21,500	25,730	50,234
Federal Sources	0	144,272	0	144,272
Non-Revenue Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Revenue Collected</i>	<u>\$ 83,933</u>	<u>\$ 165,813</u>	<u>\$ 55,165</u>	<u>\$ 304,912</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 43,139	\$ 43,139
Support Services	86,616	0	9,098	95,713
Operation of Non-Instructional Services	0	180,589	0	180,589
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures Paid</i>	<u>\$ 86,616</u>	<u>\$ 180,589</u>	<u>\$ 52,236</u>	<u>\$ 319,441</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (2,682)</u>	<u>\$ (14,776)</u>	<u>\$ 2,929</u>	<u>\$ (14,529)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	26,272	0	26,272
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 26,272</u>	<u>\$ 0</u>	<u>\$ 26,272</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (2,682)</u>	<u>\$ 11,497</u>	<u>\$ 2,929</u>	<u>\$ 11,744</u>
<i>Fund Balance - Beginning of Year</i>	<u>91,006</u>	<u>50,340</u>	<u>0</u>	<u>141,346</u>
<i>Fund Balance - End of Year</i>	<u>\$ 88,324</u>	<u>\$ 61,837</u>	<u>\$ 2,929</u>	<u>\$ 153,090</u>

Headton School District No. I-055, Carter County, Oklahoma  
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
 Special Revenue Funds - Budget and Actual  
 For the Year Ending June 30, 2011

	Building Fund			Cooperative Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>												
Local Sources	\$ 78,493	\$ 78,493	\$ 80,930	\$ 32,000	\$ 32,000	\$ 29,435	\$ 0	\$ 0	\$ 41	\$ 110,493	\$ 110,493	\$ 110,406
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	3,004	23,157	23,157	25,730	17,200	17,200	21,500	40,357	40,357	50,234
Federal Sources	0	0	0	0	0	0	147,000	147,000	144,272	147,000	147,000	144,272
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 78,493</b>	<b>\$ 78,493</b>	<b>\$ 83,933</b>	<b>\$ 55,157</b>	<b>\$ 55,157</b>	<b>\$ 55,165</b>	<b>\$ 164,200</b>	<b>\$ 164,200</b>	<b>\$ 165,813</b>	<b>\$ 297,850</b>	<b>\$ 297,850</b>	<b>\$ 304,912</b>
<b>Expenditures Paid:</b>												
Instruction	0	0	0	55,157	55,157	43,139	0	0	0	55,157	55,157	43,139
Support Services	169,500	169,500	86,616	0	0	9,098	0	0	0	169,500	169,500	95,713
Operation of Non-Instructional Services	0	0	0	0	0	0	242,540	242,540	180,589	242,540	242,540	180,589
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 169,500</b>	<b>\$ 169,500</b>	<b>\$ 86,616</b>	<b>\$ 55,157</b>	<b>\$ 55,157</b>	<b>\$ 52,236</b>	<b>\$ 242,540</b>	<b>\$ 242,540</b>	<b>\$ 180,589</b>	<b>\$ 467,197</b>	<b>\$ 467,197</b>	<b>\$ 319,441</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (91,006)</b>	<b>\$ (91,006)</b>	<b>\$ (2,682)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,929</b>	<b>\$ (78,340)</b>	<b>\$ (78,340)</b>	<b>\$ (14,776)</b>	<b>\$ (169,346)</b>	<b>\$ (169,346)</b>	<b>\$ (14,529)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>												
Estopped Warrants	0	0	0	0	0	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	28,000	28,000	26,272	28,000	28,000	26,272
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ 26,272</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ 26,272</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (91,006)</b>	<b>\$ (91,006)</b>	<b>\$ (2,682)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,929</b>	<b>\$ (50,340)</b>	<b>\$ (50,340)</b>	<b>\$ 11,497</b>	<b>\$ (141,346)</b>	<b>\$ (141,346)</b>	<b>\$ 11,744</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 91,006</b>	<b>\$ 91,006</b>	<b>\$ 91,006</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 50,340</b>	<b>\$ 50,340</b>	<b>\$ 50,340</b>	<b>\$ 141,346</b>	<b>\$ 141,346</b>	<b>\$ 141,346</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 88,324</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,929</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 61,837</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 153,090</b>

Exhibit A-3

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**Activity Fund - Regulatory Basis**  
**For the Year Ending June 30, 2011**

<u><b>ASSETS</b></u>	<u>School Activity Fund</u>
Cash	\$ 91,366
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 91,366</u>
<u><b>LIABILITIES AND FUND EQUITY</b></u>	
Liabilities:	
Due To Activity Groups	\$ <u>91,366</u>
<i>Total Liabilities</i>	<u>\$ 91,366</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 91,366</u>

**Healdton School District No.1-055, Carter County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2011**

<u>ACTIVITIES</u>	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Yearbook	\$ 7,487	\$ 10,707	\$ 8,644	\$ 9,550
Football	8,438	29,026	27,832	9,633
Boys Basketball	1,031	5,919	2,765	4,185
Girls Basketball	5,149	5,540	5,724	4,965
Athletics	3,685	21,733	21,212	4,205
FP Softball	7,265	15,171	19,229	3,207
Baseball	2,328	5,274	6,754	848
Track	3,010	3,151	3,933	2,228
Band	1,243	2,459	1,570	2,133
Slow Pitch Softball	1,807	6,249	7,647	409
Class of 2010	422	0	422	0
Class of 2011	2,434	11,314	12,686	1,063
Class of 2012	3,080	8,744	10,470	1,354
Class of 2013	380	300	0	680
Class of 2014	0	240	0	240
Elementary	3,859	17,594	17,583	3,870
PTO	4,811	11,810	12,909	3,712
FCC:A	3,596	1,495	2,453	2,639
High School	420	17,249	15,085	2,584
High School Cheerleaders	2,523	3,260	4,275	1,508
Junior High Cheerleaders	2,398	1,954	1,804	2,549
7th Grade Cheerleaders	37	0	0	37
Library	856	1,516	1,525	847
Tournament Sub Account	9,435	19,325	12,841	15,919
Middle School	1,144	2,707	3,066	786
Middle School Science Club	2,075	0	100	1,975
BETA Club	421	2,338	1,687	1,071
Lunch	26,422	0	26,422	0
Operational Fund	4,714	2,306	2,227	4,792
Science Club	1,443	0	136	1,307
Speech	497	0	0	497
Student Council	900	3,255	2,528	1,626
Middle School Student Council	332	904	885	350
Extended Day	600	0	0	600
<b>Total Activities</b>	<b>\$ 114,241</b>	<b>\$ 211,541</b>	<b>\$ 234,415</b>	<b>\$ 91,366</b>

**HEALDTON INDEPENDENT SCHOOL DISTRICT NO. 55, CARTER COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDED  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2010	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2011
<b>U.S. Department of Education</b>						
<u>Direct Programs:</u>						
Indian Education Title VII	84.060A	561	(8,895)	46,735	37,840	0
Small Rural School Achievement	84.358B	587	0	12,907	12,907	0
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic	84.010	511	(15,623)	177,616	179,778	(17,785)
Title II, Part A Transferability	84.367	511	0	17,785	17,785	0
ARRA Title I, Basic	84.389	516	(4,340)	50,482	46,752	(609)
<b>Title I Cluster</b>			<b>(19,963)</b>	<b>245,883</b>	<b>244,315</b>	<b>(18,395)</b>
ARRA IDEA B, Flow Through	84.391A	622	0	37,622	45,632	(8,011)
ARRA Education Stabilization Fund	84.394	782	0	121,271	121,271	0
Title II, Part A	84.367	541	0	0	11,187	(11,187)
Title II, Part A (REAP)	84.367	586	(20,170)	29,314	9,144	0
Title II, Part D, Competitive	84.318	547	(66,423)	66,423	8,577	(8,577)
Title II, PartD	84.318	546	0	402	402	0
Title II, PartD	84.318	548	0	0	89	(89)
Education Jobs Fund	84.410	790	0	103,514	103,514	0
<b>Total U.S. Department of Education</b>			<b>(115,451)</b>	<b>664,070</b>	<b>594,877</b>	<b>(46,258)</b>
<b>U.S. Department of Agriculture</b>						
<u>Passed Through State Department of Education:</u>						
Breakfast Program	10.553	385	0	115,396	115,396	0
Lunch Program	10.555	385	0	28,876	28,876	0
Commodities Distributed-Lunch	10.555	385	0	12,894	12,894	0
<b>Child Nutrition Cluster</b>			<b>0</b>	<b>157,166</b>	<b>157,166</b>	<b>0</b>
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>157,166</b>	<b>157,166</b>	<b>0</b>
<b>Other Federal Assistance</b>						
Title VII, Johnson O'Malley Program	15.130	563	(1,401)	1,401	3,060	(3,060)
<b>Total Other Federal Assistance</b>			<b>(1,401)</b>	<b>1,401</b>	<b>3,060</b>	<b>(3,060)</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>(116,852)</b>	<b>822,637</b>	<b>755,103</b>	<b>(49,318)</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - The District does not track expenditures paid from these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$12,894 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

The following transactions related to the American Recovery and Reinvestment Act:

	CFDA #	Program #	Federal Grant Receipts	Federal Grant Expenditures	Deferred ARRA Revenue (Accounts Rec)
ARRA Title I	84.389	516	50,482	46,752	(609)
ARRA Special Education	84.391A	622	37,622	45,632	(8,011)
ARRA Education Stabilization Fund	84.394	782	121,271	121,271	0
			<b>209,374</b>	<b>213,655</b>	<b>(8,620)</b>

CERTIFIED PUBLIC ACCOUNTANTS

**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  
Healdton Independent School District No. 55  
Carter County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Healdton Independent School District No. 55**, 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 as combined financial statements, and have issued our report thereon dated October 10, 2011. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations 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 general 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.

**Healdton Independent School District**

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.

**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.

This report is intended solely for the information and use of the board of education of **Healdton Independent School District**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be, and should not be used by anyone other than these specified parties.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 10, 2011

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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  
Healdton Independent School District #I-55  
Carter County, Oklahoma

Board Members:

Compliance

We have audited **Healdton Independent School District #I-55**, Carter County, Oklahoma's, 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 its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 District'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 on the District's compliance with those requirements.

In our opinion, **Healdton Independent School District #I-55, Carter County, Oklahoma** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Healdton Independent School District**

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine 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 A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity'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. However, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies that are listed in the accompanying schedule of findings of questioned costs as finding 2011-1.

**Healdton Independent School District #I-55**, Carter County, Oklahoma, responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit **Healdton Independent School District's** responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the governing board, management, others within the agency, 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.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
October 10, 2011

**Healdon ISD No. 55, Carter County  
Schedule of Findings and Questioned Costs  
Year Ended June 30 2011**

**Section 1**

Financial Statements

**Summary of Auditor's Results**

- |   |   |
|---|---|
| 1. Type of auditor's report issued  | Adverse<br>(Due to F/S being prepared on<br>a regulatory basis of accounting) |
| 2. Internal control over financial reporting;                                       |   |
| a. Material weaknesses identified?  | No  |
| b. Significant deficiencies identified not considered to be<br>material weaknesses? | None Reported   |
| c. Noncompliance material to the financial statements noted?                        | No  |

Federal Awards

- |  |             |
|--|-------------|
| 1. Internal control over major program:  |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiencies identified not considered to be<br>material weaknesses?  | Yes         |
| 2. Type of auditor's report issued on compliance for major program:  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in<br>accordance with Circular OMB A-133, Section 510(a)? | None        |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I, Basic
84.389	ARRA, Title 1, Basic
84.367	Title II, Part A Transferability
84.394	ARRA Education Stabilization Fund
84.410	ARRA Education Jobs Fund

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between Type A or Type B<br>programs:        | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133,<br>Section 530? | No        |

**Section 2**

Financial Statement Findings

(None Reported)

**Healdon ISD No. 55, Carter County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30 2011**  
(Continued)

**Section 3**

Federal Awards Findings & Questioned Costs

Questioned  
Costs

**2011-1 Finding** - Title II, Part A -CFDA #84.318 -Grant Period -FYE June 30, 2011

*Condition* - The district filed a claim for reimbursement that included a stipend paid to several employees to attend a seminar. 8 of these employees did not actually attend the seminar. Thus, the district should not have paid these stipends and they should not claim reimbursement for them.

*Criteria* - Employees should not be paid until all services have been provided. In addition, claims for reimbursement should only be filed once the services have been provided.

*Cause/Effect of Condition* - The district issued payroll checks before the employees actually attended the seminar but were going to hold them until after the seminar was over. However, the payroll department was not notified that some employees did not attend the seminar. Thus, they claimed the reimbursement.

*Context* - Overpaid expenditures of \$2,473 of \$11,187 claim filed. \$ 2,473.04

*Recommendation* - The district should not issue payroll checks until the services are completed.

*Views of Responsible Officials and Planned Corrective Action* - The district concurs that these items should not have been paid and therefore should not have been claimed. The district will contact the Oklahoma Department of Education to determine how to handle this over reimbursement.

**Healdton ISD No. 55, Carter County**  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2011

**Federal Awards Findings & Questioned Costs**

Johnson O'Malley Title VII – CFDA#15.130

**2010-1 – Statement of Condition** – The school expended \$3860 of JOM in the prior fiscal year (2008-09) and should have been reimbursed in the 2009-10 fiscal year. However the school never received this reimbursement.

**Criteria** – The school must file a claim for reimbursement in order to receive payment.

**Cause/Effect of Condition** – JOM was contacted and stated they did not receive a claim for reimbursement however, the school had a copy of the reimbursement claim form but no other documentation to support that it had been sent. In addition the district did not have follow-up procedures to ensure all reimbursements are actually received.

**Recommendation** – We recommend the school contact JOM to see if the \$3,860 can still be reimbursed. Also the school should implement follow-up procedures to ensure that reimbursements for claims filed are received in a timely manner.

**Current Status** – The school contacted JOM but it was too late to collect on this claim.

**Management Letter Findings**

**2010-2 Finding** –During our review of the Operational Activity Fund subaccount, we noted a payment to an employee for reimbursement of an overpayment on insurance premiums. A check for \$1,873.50 was deposited into the subaccount from the insurance company on December 16, 2009 and the check for the same amount was paid out to this employee on the same day. Since this reimbursement was for an overpayment of insurance that had been withheld from the employee's payroll check on a pre-tax basis, it appears this reimbursement should have been placed into the General Fund and paid back to the employee through a payroll check with taxes being withheld.

**Recommendation** – Any future transactions of this type should be issued through payroll and have taxes withheld.

**Current Status** : There were no transactions of this type during the 2010-2011 fiscal year.

**2010-3 - Finding** – The school began issuing pre-numbered tickets to athletic events during the 2009-10 fiscal year, per last year's audit recommendations; however, we still noted a few problems. In 6 of 13 games tested only one type of ticket was issued even though students and adults were charged different rates. Thus, a reconciliation of the tickets sold to collections could not be performed. Also, we noted 3 reconciliation forms didn't list any ticket numbers on the count sheets. And finally, we noted 1 reconciliation count sheet's beginning and ending ticket numbers appear to be switched and the actual collection compared to what should have been collected per the tickets sold was off by \$362.

**Recommendation** - Ticket reconciliation forms should list beginning and ending ticket numbers with separate tickets issued for each type (price) of admission. A comparison of the amount of money to be collected (based upon tickets issued) and amount of money actually collected should be performed by the gate workers and any significant variances should be explained on the count sheet.

**Current Status** – This was corrected during the 2009-2010 year.

**2010-4 - Finding** – During our testing of twenty-two Activity Fund expenditures, we noted the following exceptions:

- 1 Had no invoice attached.
- 4 invoices were dated prior to the requisition.
- 9 were improperly classified based upon the OCAS codes.

**Recommendation** - We recommend that requisition initiate the purchasing process and that invoices be attached and that proper coding be used.

**Current Status** - It appeared they were doing a much better job of following proper purchasing procedures in the Activity Fund.

**2010-5-Finding** - We noted the school was the Local Educational Administrator (LEA) for the Alternative Education Cooperative. The school was tracking the revenues and expenditures for this program through the General Fund. The State Department of Education requires the LEA to set up and track the cooperative revenues and expenditures through a separate Cooperative Fund. The school has set up a Cooperative Fund for this program for the 2010-11 fiscal year.

**Recommendation** – The school should set up a separate fund to track revenues and expenditures of the Cooperative Fund.

**Current Status** – The school set up a separate fund for the Cooperative Fund during the 2010-11 year.

**2010-6 - Finding** – During our testing of support employee’s payroll, we noted that time-sheets were not being kept to document the employees hours worked. The Fair Labor Standards Act requires all non-exempt employees (this would include almost all support employees) to maintain time records and these employees are required to be paid time and one-half for all hours worked in excess of forty (40) hours in a work week. The employee and their supervisor should review and sign the time sheet to document the correct time worked.

**Recommendation** -- We recommend that all support employees keep time sheets with the employee and supervisor signatures.

**Current Status** – This was corrected during the 2010-11 fiscal year.

**2010-7 - Finding** – During our testing of expenditures of the appropriated funds (General, Building, Child Nutrition) we noted several purchase orders were dated after the date of the invoice or statement. Thus it appears that the purchase was initiated prior to obtaining an approved purchase order. A purchase order should be completed and approved by the purchasing officer and encumbrance clerk prior to the actual purchase.

**Recommendation** – The purchase order should initiate the purchasing procedures.

**Current Status** - The District did a much better job of following these procedures during the 2010-11 fiscal year.

OTHER INFORMATION

**Healdton ISD No. 55, Carter County**  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2011

STATE OF OKLAHOMA    )  
  )ss  
COUNTY OF GRADY     )

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 **Healdton Independent School District #55** for the audit year 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.

*David Johnston*

by \_\_\_\_\_

Subscribed and sworn to before me this 10<sup>th</sup> day of October, 2011.

*Debbie Wilkins*  
Notary Public

My Commission Expires 11-12-2012.



