

**LOMEGA INDEPENDT SCHOOL
DISTRICT 1-03
KINGFISHER COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS
JUNE 30, 2011**

**WITH INDEPENDENT AUDITORS'
REPORT THEREON**

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

School District Officials
June 30, 2011

Board of Education

President	Mark Snowden
Clerk	David Schnell
Member	Mike Lamer
Member	Nathan Frelander
Member	Terry Marks

School District Treasurer
Kingfisher County Treasurer

Superintendent of Schools
Steve Mendell

LOMEGA INDEPENDENT SCHOOL DISTRICT I-3
Kingfisher County, Oklahoma
JUNE 30, 2011

TABLE OF CONTENTS

	PAGE
Table of Contents	1-2
Independent Auditor's Report	3-4
Combined Financial Statements	
Combined Statement of Assets and Liabilities and Fund Balances All Fund Types and Account Groups - Regulatory Basis	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - Regulatory Basis	6
Combined Statement of Revenues, Expenditures and Changes in Balance - Budget and Actual - General, Special Revenue and Debt Service Funds - Regulatory Basis	7
Notes to Combined Financial Statements - Regulatory Basis	8-21
Supplemental Information:	
Combining Statement of Assets, Liabilities and Fund Balances All Special Revenue Funds - Regulatory Basis	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds - Regulatory Basis	23
Budgetary Comparison Schedule - Combined Special Revenue Funds - Regulatory Basis	24
Combining Statement of Changes in Assets and Liabilities - All Agency Funds - Regulatory Basis	25
Schedule of Expenditures of Federal Awards	26
List of Federal Programs Tested	27

LOMEGA INDEPENDENT SCHOOL DISTRICT I-3
Kingfisher County, Oklahoma
JUNE 30, 2011

TABLE OF CONTENTS (continued)

Page

Reports required by Governmental Auditing Standards

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 28-29

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133 30-31

Schedule of Findings and Questioned Costs 32-33

Schedule of Surety Bonds 34

Accountant's Professional Liability Insurance Affidavit

Audit Acknowledgement

John R. Storm, C.P.A.
Karen L. Hauser, C.P.A.

Storm & Hauser, P.C.
Certified Public Accountants

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750
stormhauser@pldi.net

405.375.4152
FAX 405.375.5023

INDEPENDENT AUDITOR'S REPORT

November 10, 2011

The Honorable Board of Education
Lomega School District Number I-03
Kingfisher County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Lomega School District Number I-03, Kingfisher County, Oklahoma (District), as listed in the table of contents as combined financial statements as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lomega School District Number I-03, Lomega, Kingfisher County, Oklahoma as of June 30, 2011, and the respective changes in financial position thereof for the year then ended.

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

However, in our opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of Lomega School District Number I-03, Kingfisher County, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within 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 not a required part of the combined financial statements. The combining statement of changes in assets and liabilities of the fiduciary funds-regulatory basis and other schedules listed as supplementary information 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 of the District. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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 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.

Storm & Hauser, P.C.

Storm & Hauser, P.C.
Certified Public Accountants

Lomega Independent School District I-3
Kingfisher County, Oklahoma

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

ASSETS	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 690,895	\$ 211,894	\$ 12,806
Investments	-	-	-
Amount available in Debt Service Fund	-	-	-
Amounts to be provided for retirement of general long term debt	-	-	-
Total Assets	<u>690,895</u>	<u>211,894</u>	<u>12,806</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	187,719	11,120	-
Encumbrances outstanding	48,980	0	-
Due to Student Groups	-	-	-
Long-term debt	-	-	0
Bonds Payable	-	-	1,982
Interest Payable	-	-	-
Total liabilities	<u>236,699</u>	<u>11,120</u>	<u>1,982</u>
Fund Balances:			
Restricted for:			
Debt Service	-	-	10,824
Building Projects	-	140,621	-
Child Nutrition	-	39,488	-
Gift and Endowments	-	20,517	-
Coop Fund	-	148	-
Unassigned	454,196	-	-
Total Liabilities and Fund Balances	<u>690,895</u>	<u>211,894</u>	<u>12,806</u>

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

	Governmental Fund Types	Fiduciary Fund Types	Account Groups	Total (Memorandum Only)
	Capital Projects	Agency	General Long-Term Debt	
\$	0	115,974	-	1,031,569
	-	-	-	0
	-	-	-	0
	-	-	315,000	315,000
\$	<u>0</u>	<u>115,974</u>	<u>315,000</u>	<u>1,346,569</u>

	0	-	-	198,839
	0	-	-	48,980
	-	115,974	-	115,974
	-	-	315,000	315,000
	-	-	-	1,982
	<u>0</u>	<u>115,974</u>	<u>315,000</u>	<u>680,775</u>

				10,824
	0	-	-	140,621
	-	-	-	39,488
	-	-	-	20,517
	-			148
	-	0	-	454,196
\$	<u>0</u>	<u>115,974</u>	<u>315,000</u>	<u>1,346,569</u>

Lomega Independent School District I-3
Kingfisher County, Oklahoma

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

	<u>Governmental Fund Types</u>		
	General	Special Revenue	Debt Service
Revenue Collected:			
Local Sources	\$ 43,029	52,720	191
Intermediate Sources	566,134	73,441	172,072
State Sources	1,076,682	12,164	-
Federal Sources	161,983	573,949	-
Total Revenue Collected	<u>\$ 1,847,828</u>	<u>712,274</u>	<u>172,263</u>
Expenditures Paid:			
Instruction	1,195,833	517,075	-
Support Services	546,507	55,201	-
Non-Instruction Services	2,000	148,417	-
Capital Outlay	0	0	-
Other Outlays	0	4,000	0
Debt Service:			
Principal Retirement	-	-	155,000
Interest and Agent Fees	-	-	16,737
Total Expenditures Paid	<u>\$ 1,744,340</u>	<u>724,693</u>	<u>171,737</u>
Excess of Revenues Collected Over (Under) Expenses Paid	<u>\$ 103,488</u>	<u>(12,419)</u>	<u>526</u>
Adj. to Prior Year Encumbrances	-	-	0
Other Financing Sources (Uses):			
Bond Proceeds	-	0	-
Operating Transfers In	0	0	-
Operating Transfers Out	-	0	-
Total Other Fin. Sources (Uses)	<u>-</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenue collected over expend. paid and other fin. sources(uses)	103,488	(12,419)	526
Cash fund balance, July 1, 2010	350,708	213,193	10,298
Cash fund balance, June 30, 2011	<u>\$ 454,196</u>	<u>200,774</u>	<u>10,824</u>

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

Governmental Fund Types	Capital Projects	Total (Memorandum Only)
\$	0	95,940
	-	811,647
	-	1,088,846
	-	735,932
\$	<u>0</u>	<u>2,732,365</u>
	-	1,712,908
	-	601,708
	-	150,417
	160,921	160,921
	-	4,000
	-	155,000
	-	16,737
\$	<u>160,921</u>	<u>2,801,691</u>
\$	(160,921)	(69,326)
	<u>0</u>	<u>0</u>
	0	0
	0	0
	-	0
	<u>0</u>	<u>0</u>
	(160,921)	(69,326)
	160,921	735,120
\$	<u>0</u>	<u>665,794</u>

Lomega Independent School District I-3
Kingfisher County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue Collected:			
Local Sources	0	43,029	43,029
Intermediate Sources	503,010	566,134	63,124
State Sources	873,379	1,076,682	203,303
Federal Sources	142,232	161,983	19,751
Total Revenue Collected	<u>1,518,621</u>	<u>1,847,828</u>	<u>329,207</u>
Expenditures Paid:			
Instruction	1,224,329	1,195,833	28,496
Support Services	635,000	546,507	88,493
Non-Instruction Services	10,000	2,000	8,000
Capital Outlay	0	0	0
Other Outlays	0	0	0
Debt Service Retirement	0	0	0
Interest And Agent Fees	0	0	0
Total Expenditures Paid	<u>1,869,329</u>	<u>1,744,340</u>	<u>124,989</u>
Excess of Revenues Collected Over (Under) Expenses Paid	(350,708)	103,488	454,196
Adj. to Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):			
Insurance Proceeds	-	-	-
Operating Transfers In	-	0	0
Operating Transfers Out	-	-	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	(350,708)	103,488	<u>454,196</u>
Cash Fund Balance, July 1, 2010	350,708	350,708	
Cash Fund Balance, June 30, 2011	<u>0</u>	<u>454,196</u>	

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

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
28,647	52,720	24,073
68,683	73,441	4,758
9,800	12,164	2,364
552,948	573,949	21,001
<u>660,078</u>	<u>712,274</u>	<u>52,196</u>
525,000	517,075	7,925
173,811	55,201	118,610
150,000	148,417	1,583
0	0	0
24,460	4,000	20,460
0	0	0
0	0	0
<u>873,271</u>	<u>724,693</u>	<u>148,578</u>
(213,193)	(12,419)	200,774
<u>0</u>	<u>0</u>	<u>0</u>
-	0	0
-	0	0
-	0	0
<u>0</u>	<u>0</u>	<u>0</u>
(213,193)	(12,419)	<u>200,774</u>
213,193	213,193	
<u>0</u>	<u>200,774</u>	

Lomega Independent School District I-3
Kingfisher County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2011

continued

	Debt Service		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue Collected:			
Local Sources	0	191	191
Intermediate Sources	170,393	172,072	1,679
State Sources	0	0	0
Federal Sources	0	0	0
Total Revenue Collected	<u>170,393</u>	<u>172,263</u>	<u>1,870</u>
Expenditures Paid:			
Instruction	0	0	0
Support Services	0	0	0
Non-Instruction Services	0	0	0
Capital Outlay	0	0	0
Other Outlays	0	0	0
Debt Service Retirement	155,000	155,000	0
Interest And Agent Fees	25,691	16,737	8,954
Total Expenditures Paid	<u>180,691</u>	<u>171,737</u>	<u>8,954</u>
Excess of Revenues Collected Over (Under) Expenses Paid	(10,298)	526	10,824
Adj. to Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	0	0
Operating Transfers Out	-	-	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	(10,298)	526	<u>10,824</u>
Cash Fund Balance, July 1, 2010	10,298	10,298	
Cash Fund Balance, June 30, 2011	<u>0</u>	<u>10,824</u>	

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

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Lomega School District Number I-03, Kingfisher County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is another 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 American. 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 District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other government "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 not component units (entities considered to be financially accountable to the District).

B. Measurement Focus

The accounts of the District are organized and operated 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

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

C. Measurement Focus (Continued)

assets and liabilities of the governmental funds not recorded directly in other funds.

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 services 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. The operation of the District's school cafeteria is reported as part of the General fund and consists of monies derived from federal and state financial assistance and food sales.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

B. Measurement Focus (Continued)

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 fund is composed of the District's Building 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 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 – consists of monies derived from federal and state Financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Gift and Endowment Fund – consists of assets received by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

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.

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

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

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

liabilities, and do not include revenues and expenditures for general operation of the District.

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

General Long-term Debt Account Group – 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.

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 required or expected by the Department of Education and is presented in such an account group but 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.

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

D. Assets, Liabilities, Fund Balance, 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.

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 required 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 costs of inventories are

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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. 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

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. The purpose for each reservation is indicated by the account title on the face of the financial statements.

9. Fund Balances

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned, or unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restrict amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to the other funds, and that have 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 purchases is issued a deed to the property. No 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma**

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

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

11. Intermediate Revenues

Revenue from intermediate source 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.

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.

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.

**LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)

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. Certain previously reported amounts have been reclassified to conform to current year classifications.

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.

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

**LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma**

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

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

At June 30, 2011, the District held deposits of approximately \$ 1,031,569 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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 deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentions in the previous paragraphs (1-5).

The District's cash deposits and investments, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma**

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

Therefore, the District's cash deposits and investments were not exposed to custodial credit risk, investment credit risk, investment interest rate risk, or concentration of investment credit risk.

B. Long-term Debt

General Obligation Bonds

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.

Amount Outstanding

- \$240,000 Building Bonds, Series 2007 in the amount of \$475,000 with an effective interest rate of 3.75 %. Due in annual installments of \$ 75,000 the first year and successive installments of \$80,000, final payment of \$80,000 due 5/01/14.
- \$ 75,000 Transportation Bonds, Series 2007 in the amount of \$295,000 with an effective interest rate of 3.75 %. Due in annual installments of \$ 70,000 the first year and successive installments of \$75,000, final payment of \$75,000 due 5/01/12.

Annual debt service requirements to maturity are as follows:

Year	General		
Ended	Obligation Bonds		Total
June 30	Principal	Interest	Requirement
2011	155,000	10,924	165,924
2012	80,000	5,573	85,573
2013	80,000	2,533	82,533
2014	0	0	0
Total	315,000	19,030	334,030

C. Changes in General Long-term Debt

General long-term debt consists of Bonds Payable and Capital Lease Payable. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

**LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma**

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

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Bonds Payable	470,000	0	155,000	315,000

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 School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

A. Risk Management

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District 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 the 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.

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

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 amount, 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 \$ 5,631.

D. Employee Retirement System and Plan

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

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 underfunded pension benefit obligation as determined as part of the latest actuarial valuation.

LOMEGA SCHOOL DISTRICT NUMBER I-03
Kingfisher County, Oklahoma

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 11.55% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 7.85% (starting 07-01-07) and 8.35% (starting 01-01-09) and the State of Oklahoma plus the federal contribution contributed the remaining. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 7.05% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009 were \$ 96,010 \$ 93,351 and \$ 85,045 respectively.

SUPPORTING SCHEDULES

Omega Independent School District I-3

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND CASH FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS

June 30, 2011

Governmental Fund Types

<u>ASSETS</u>	<u>Building Fund</u>	<u>Co-op Fund</u>	<u>Nutrition Fund</u>
Cash and cash equivalents	\$ 140,621	\$ 148	50,608
Investments	0	0	0
Total Assets	\$ <u>140,621</u>	\$ <u>148</u>	<u>50,608</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Warrants payable	\$ 0	0	11,120
Encumbrances outstanding	0	0	
Total Liabilities	<u>0</u>	<u>0</u>	<u>11,120</u>
Fund Balances:			
Retained Earnings	140,621	148	39,488
Unassigned	0	0	0
Total Liabilities and Fund Balances	\$ <u>140,621</u>	\$ <u>148</u>	<u>50,608</u>

Gifts & Endowment Fund	Total
\$ 20,517 0	\$ 211,894 0
<u>\$ 20,517</u>	<u>\$ 211,894</u>
0 0	11,120 0
<u>0</u>	<u>11,120</u>
20,517 0	200,774 0
<u>\$ 20,517</u>	<u>\$ 211,894</u>

Lomega Independent School District I-3
Kingfisher County, Oklahoma

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

	Building Fund	Nutrition Fund	Coop Fund
Revenue Collected:			
Local Sources	\$ 17,246	\$ 35,321	96
Intermediate Sources	73,441	0	0
State Sources	7	12,157	0
Federal Sources	0	88,874	485,075
Total Revenue Collected	<u>90,694</u>	<u>136,352</u>	<u>485,171</u>
Expenditures Paid:			
Instruction	0	0	517,075
Support Services	55,201	0	0
Non-Instruction Services	0	148,417	0
Capital Outlay	0	0	0
Other Outlays	0	0	0
Total Expenditures Paid	<u>55,201</u>	<u>148,417</u>	<u>517,075</u>
Excess of Revenues Collected Over (Under) Expenses Paid Before Adjustments to Prior Year Encumbrances	35,493	(12,065)	(31,904)
Adj. to Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):			
Insurance Proceeds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	35,493	(12,065)	(31,904)
Cash Fund Balance, July 1, 2010	105,128	51,553	32,052
Cash Fund Balance, June 30, 2011	\$ <u>140,621</u>	\$ <u>39,488</u>	<u>148</u>

	Gifts & Endowment Fund		Total
\$	57	\$	52,720
	0		73,441
	0		12,164
	0		573,949
	<u>57</u>		<u>712,274</u>
	0		517,075
	0		55,201
	0		148,417
	0		0
	4,000		4,000
	<u>4,000</u>		<u>724,693</u>
	(3,943)		(12,419)
	<u>0</u>		<u>0</u>
	0		0
	0		0
	<u>0</u>		<u>0</u>
	(3,943)		(12,419)
	24,460		213,193
\$	<u>20,517</u>	\$	<u>200,774</u>

Lomega Independent School District I-3
Kingfisher County, Oklahoma

BUDGETARY COMPARISON SCHEDULE - COMBINED SPECIAL REVENUE FUNDS
REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund		Nutrition Fund		CO-OP Fund		319/Endowment Fund		Combined Spec. Rev.	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Fund Balances, beginning	105,128	105,128	51,553	51,553	32,052	32,052	24,460	24,460	213,193	213,193
Revenue Collected:										
Local Sources	0	17,246	28,647	35,321	0	96	57	57	28,647	52,720
Intermediate Sources	68,683	73,441	0	0	0	0	0	0	68,683	73,441
State Sources	0	7	9,800	12,157	0	0	0	0	9,800	12,164
Federal Sources	0	0	60,000	88,874	492,948	485,075	0	0	552,948	573,949
Total Revenue Collected	68,683	90,694	98,447	136,352	492,948	485,171	0	57	660,078	712,274
Expenditures Paid:										
Instruction	0	0	0	0	525,000	517,075	0	0	525,000	517,075
Support Services	173,811	55,201	0	0	0	0	0	0	173,811	55,201
Non Instruction Services	0	0	150,000	148,417	0	0	0	0	150,000	148,417
Capital Outlay	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	24,460	4,000	24,460	4,000
Total Expenditures Paid	173,811	55,201	150,000	148,417	525,000	517,075	24,460	4,000	873,271	724,693
Excess of Revenues Collected Over (Under) Expenses Paid Before Adjustments to Prior Year Encumbrances	0	35,493	0	(12,065)	0	(31,904)	0	(3,943)	0	(12,419)
Other Financing sources (uses): Lapsed appropriations		0		0		0		0		0
Cash Fund Balance, End of Year		140,621		39,488		148		20,517		200,774

Omega Independent School District I-3
Kingfisher County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
- ALL AGENCY FUNDS - REGULATORY BASIS
JUNE 30, 2011

	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
Activity Funds:				
Athletics	\$ 16,470.79	\$ 58,112.38	\$ 55,773.02	\$ 18,810.15
Senior Class of 2013-Soph	0.00	5,541.70	2,878.25	2,663.45
Senior Class of 2011-Seniors	20,335.76	26,092.64	46,412.72	15.68
Senior Class of 2012-Juniors	3,390.25	50,822.92	34,783.02	19,430.15
High School/Elementary Account	15,207.67	27,078.36	18,777.90	23,508.13
Clearing Account	0.00	9,900.00	9,650.00	250.00
Hot Lunch Program	0.00	35,070.90	35,070.90	0.00
Fundraising Account	5,953.55	9,877.81	7,830.29	8,001.07
FFA	18,113.33	36,726.78	32,209.01	22,631.10
Student Council	624.32	1,409.00	1,138.09	895.23
FCA	0.00	0.00	0.00	0.00
Faculty Fund	180.84	0.00	0.00	180.84
Student Activities	8,079.33	22,686.19	19,353.81	11,411.71
Interest Account	2,786.78	1,538.36	920.45	3,404.69
Elementary/Band Account	1,921.01	15,663.00	12,811.89	4,772.12
Total Activity Fund Balances	\$ 93,063.63	\$ 300,520.04	\$ 277,609.35	\$ 115,974.32

	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
ASSETS				
Cash	\$ 93,063.63	\$ 300,520.04	\$ 277,609.35	\$ 115,974.32
TOTAL ASSETS	\$ 93,063.63	\$ 300,520.04	\$ 277,609.35	\$ 115,974.32

	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
LIABILITIES				
Due to Student Groups	\$ 93,063.63	\$ 300,520.04	\$ 277,609.35	\$ 115,974.32
TOTAL LIABILITIES	\$ 93,063.63	\$ 300,520.04	\$ 277,609.35	\$ 115,974.32

Omega Independent School District I-3
 Kingfisher County, Oklahoma
 Schedule of Expenditures of Federal Awards - Regulatory Basis
 July 1, 2010 to June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Project Number	Deferred Revenue Acct. Rec. 6-30-10	Federal Receipts FYE 11	Federal Expenditures FYE 11	Deferred Revenue Acct. Rec. 6-30-11
US DEPARTMENT OF EDUCATION						
Direct Programs:						
Title VII- Indian Ed	84.060	561	0	17,237	17,237	0
Federal REAP	84.358	588	0	25,992	25,992	0
Sub-Total			0	43,229	43,229	0
Passed Through State Department of Education:						
Title I	84.010	511	32,954	32,954	0	0
Title I	84.010	511	0	0	46,268	46,268
Title I-ARRA	84.389	516	6,094	6,094	0	0
Title VI	84.186	586	695	695	0	0
Title VI	84.186	586	0	0	6,415	6,415
Title II	84.367	586	6,430	6,430	0	0
Title II	84.318	586	327	327	0	0
ARRA-IDEA	84.391	622	5,178	5,178	0	0
Stabilization-ARRA	84.394	782	0	61,593	61,593	0
Sub-Total			51,678	113,271	114,276	52,683
US DEPARTMENT OF AGRICULTURE						
Direct Programs:						
Distance Learning Grant	10.855		0	485,075	485,075	0
Passed Through State Department of Education:						
National School Lunch	10.555	385	0	63,731	63,731	0
School Breakfast Program	10.553	385	0	25,143	25,143	0
Passed Through State Department of Human Services:						
Commodities (1)	10.550		0	8,591	8,591	0
Sub-Total			0	97,465	97,465	0
US DEPARTMENT OF HEALTH & HUMAN SERVICES						
Passed Through Oklahoma Health Care Authority:						
Medicaid Reimbursement	93.778	698	0	1,554	1,554	0
Sub-Total			0	1,554	1,554	0
TOTAL EXPENDITURES OF FEDERAL AWARDS			51,678	740,594	741,599	52,683

(1) Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.
 (2) This Schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements except for the nonmonetary assistance noted in Note 1.

Omega Independent School District I-3
Kingfisher County, Oklahoma

LIST OF FEDERAL PROGRAMS TESTED

The following federal programs were tested for compliance with
Federal regulations for the period July 1, 2010 to June 30, 2011

PROGRAM	CFDA #	EXPENDITURES
US Department of Agriculture Distance Learning Grant	10.855	485,075

**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**

December 3, 2010

The Honorable Board of Education
Lomega School District Number I-03
Kingfisher County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Lomega School District Number I-03, Kingfisher County, Oklahoma (District), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011, which was adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Lomega School District Number I-03
November 11, 2011
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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 and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

Storm & Hauser, P.C.

Storm & Hauser, P.C.
Certified Public Accountants

John R. Storm, C.P.A.
Karen L. Hauser, C.P.A.

Storm & Hauser, P.C.
Certified Public Accountants

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750
stormhauser@pdi.net

405.375.4152
FAX 405.375.5023

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

November 10, 2011

The Honorable Board of Education
Lomega School District Number I-03
Kingfisher County, Oklahoma

Compliance

We have audited the compliance of the Lomega School District Number I-03, Kingfisher County, Oklahoma (District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to 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 Lomega School District Number I-03, Kingfisher 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 Lomega School District Number I-03, Kingfisher 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 Lomega School District Number I-03, Kingfisher County, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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Lomega School District Number I-03
November 11, 2011
Internal Control Over Compliance

The 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 Lomega School District Number I-03, Kingfisher County, Oklahoma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

Storm & Hauser, P.C.

Storm & Hauser, P.C.
Certified Public Accountants

Lomega Independent School District I-3
Kingfisher County, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

July 1, 2010 to June 30, 2011

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles.

Qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal control over financial reporting:

Material weakness identified

no

Reportable conditional identified that is not considered to be material

no

Noncompliance material to financial statements noted

no

Federal Awards

Internal control over major programs:

Material weakness identified

no

Reportable conditional identified that is not considered to be material

no

Type of auditor's 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 Circular A-133

no

Identification of major programs

10.855 Distance Learning Grant

Dollar threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee

no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-cont.

CURRENT YEAR

FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No audit findings as defined in Section 510(a) of OMB Circular A-133 were identified for the year ending June 30, 2011.

PRIOR YEAR'S FINDINGS

FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2010-1

It appears that the purchasing procedures for the Activity Funds are not being followed. The Oklahoma Department of Education sets forth specific procedures for the activity funds. A purchase order is required to be approved by the purchasing agent before the order is placed. It appears that purchase orders are being issued after the order is placed.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Not required

Lomega Independent School District I-3
Kingfisher County, Oklahoma
Schedule of Surety Bonds
FOR THE YEAR ENDED JUNE 30, 2011

<u>Policy No.</u>	<u>Company</u>	<u>Insured and Period</u>	<u>Amount</u>
5057346	Ohio Casualty Ins.	Superintendent 07/01/10 to 07/01/11	\$ 100,000
SIG2009	Assoc. of Co. Comm of OK Self-Insurance Group ACCO-SIG	Treasurer 07/01/10 to 07/01/11	100,000

LOMEGA INDEPENDENT SCHOOL DISTRICT I-03
KINGFISHER COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma)
) ss
County of KINGFISHER)

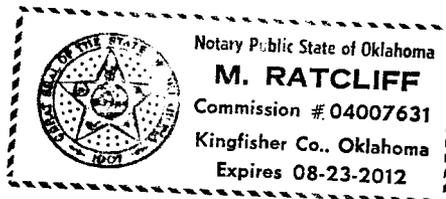
The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Lomega Independent School District I-03 for the audit year 2010-2011.

STORM & HAUSER, P.C.
Auditing Firm

By *John R. Storm* CPA
Authorized Agent

Subscribed and sworn to before me this 10th day of November, 2011.

M. Ratcliff
Notary Public



LOMEGA INDEPENDENT SCHOOL DISTRICT I-03
KINGFISHER COUNTY, OKLAHOMA

AUDIT ACKNOWLEDGMENT
FOR THE YEAR ENDED JUNE 30, 2011

The annual independent audit for the Lomega Independent School District I-03, was presented to the Board of Education in an Open Board Meeting on Nov. 14th, 2011 by Storm & Hauser, P.C.

The Board (as the governing body of the school district) acknowledges responsibility for the district's financial statements, internal controls and compliance with laws and regulations and the audit findings and exceptions that have been presented.

A copy of the audit, including this acknowledgment 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."

Steve Mendell
Superintendent of Schools

Mark D. Snow
Board of Education President

Mark Lan
Board of Education V-President

Wanda Schul
Board of Education Member

Nathan Fredricks
Board of Education Member

Larry Marks
Board of Education Member

Subscribed and sworn to before me on this 15 day of Nov., 2011.

Lorraine Stewart
Notary Public

