

**OSDE COPY**

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

**MADILL SCHOOL DISTRICT NO. 1-2,  
MARSHALL COUNTY, OKLAHOMA**

**JUNE 30, 2011**

**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-2  
MARSHALL COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-2  
MARSHALL COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-2  
MARSHALL COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

BOARD OF EDUCATION

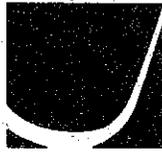
President	Tony Hawkins
Vice-President	Joe Hartin
Clerk	Rita Pruitt
Member	Fermon Johnson
Member	Kathleen Moore

SUPERINTENDENT OF SCHOOLS

Jon Tuck

MINUTES CLERK &  
SCHOOL DISTRICT TREASURER

Joanna Allen-Cole



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Madill School District No. I-002  
Madill, Oklahoma 73446-2846

I have audited the accompanying regulatory basis financial statements of Madill School District No. I-002, Madill, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

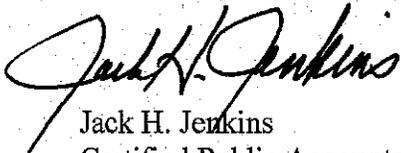
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Madill School District No. I-002, Madill, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Madill School District No. I-002, Madill, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 6, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Madill School District No. I-002's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for 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 fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2011

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2011**

ASSETS	GOVERNMENTAL FUND TYPES		CAPITAL PROJECTS	FIDUCIARY FUND TYPES		ACCOUNT GROUP	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE		DEBT SERVICE	EXPENDABLE TRUST AND AGENCY FUND		GENERAL LONG-TERM DEBT	2011
Cash	\$ 2,406,963	545,713	808,399	143,649	143,649		5,354,423	3,388,157
Cash held at fiscal agency								454,933
Amounts available in debt service						109,110	109,110	17,920
Amounts to be provided for retirement of general long-term debt			1,449,699			1,277,984	1,277,984	3,184,665
Total Assets	<u>2,406,963</u>	<u>545,713</u>	<u>808,399</u>	<u>143,649</u>	<u>143,649</u>	<u>1,387,094</u>	<u>6,741,517</u>	<u>7,045,675</u>

**LIABILITIES AND FUND EQUITY**

Liabilities								
Warrants payable	713,788	29,330					743,118	699,646
Encumbrances	30,965	3,580					34,545	165,560
Funds held for school organizations				143,649			143,649	145,750
Unmatured obligations			699,289				699,289	801,708
Long-term debt:								
Bonds payable					1,175,000		1,175,000	2,815,000
Capital leases					212,094		212,094	387,585
Total liabilities	<u>744,753</u>	<u>32,910</u>	<u>699,289</u>	<u>143,649</u>	<u>1,387,094</u>		<u>3,007,695</u>	<u>5,015,249</u>
Fund Equity								
Cash fund balances	<u>1,662,210</u>	<u>512,803</u>	<u>109,110</u>				<u>3,733,822</u>	<u>2,030,426</u>
Total Liabilities and Fund Equity	<u>\$ 2,406,963</u>	<u>545,713</u>	<u>808,399</u>	<u>143,649</u>	<u>1,387,094</u>		<u>6,741,517</u>	<u>7,045,675</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES				TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	2011	2010
Revenues						
Local sources	\$ 1,800,172	268,669	1,003,538	1,687	3,074,066	2,638,839
Intermediate sources	292,106				292,106	273,769
State sources	7,901,741	60,228			7,961,969	7,742,907
Federal sources	1,910,463	595,654			2,506,117	2,479,918
Non-revenue receipts	13,572	107,421			120,993	124,720
Total revenues	<u>11,918,054</u>	<u>1,031,972</u>	<u>1,003,538</u>	<u>1,687</u>	<u>13,955,251</u>	<u>13,260,153</u>
Expenditures						
Instruction	7,191,220				7,191,220	7,470,342
Support services	4,178,935	175,001			4,353,936	4,518,371
Operation of non-instructional services	11,238	747,543			758,781	736,764
Facilities, acquisition and const. services	8,040	27,612		200,136	235,788	461,870
Other outlays					-	300
Other uses					-	55,718
Debt service	53,975		912,348		966,323	849,836
Repayments	1,289				1,289	27,175
Total expenditures	<u>11,444,697</u>	<u>950,156</u>	<u>912,348</u>	<u>200,136</u>	<u>13,507,337</u>	<u>14,120,376</u>
Revenues over (under) expenditures	473,357	81,816	91,190	(198,449)	447,914	(860,223)
Other financing sources (uses)						
Lapsed appropriations	53,277	22,113		4,771	80,161	132,504
Estopped warrants	321				321	155
Bond proceeds				1,175,000	1,175,000	-
Total other financing sources (uses)	<u>53,598</u>	<u>22,113</u>		<u>1,179,771</u>	<u>1,255,482</u>	<u>132,659</u>
Revenue and other sources over (under) expenditures and other uses	526,955	103,929	91,190	981,322	1,703,396	(727,564)
Cash fund balance, beginning of year	1,135,255	408,874	17,920	468,377	2,030,426	2,757,990
Cash fund balance, end of year	<u>\$ 1,662,210</u>	<u>512,803</u>	<u>109,110</u>	<u>1,449,699</u>	<u>3,733,822</u>	<u>2,030,426</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 1,481,041	1,481,041	1,800,172
Intermediate sources	250,818	250,818	292,106
State sources	7,577,227	7,577,227	7,901,741
Federal sources	1,630,659	1,630,659	1,910,463
Non-revenue receipts			13,572
Total revenues	10,939,745	10,939,745	11,918,054
<b>Expenditures</b>			
Instruction			7,191,220
Support services			4,178,935
Operation of non-instructional services			11,238
Facilities, acquisition and const. services			8,040
Debt service			53,975
Repayments			1,289
Non-categorical	12,075,000	12,075,000	
Total expenditures	12,075,000	12,075,000	11,444,697
Revenues over (under) expenditures	(1,135,255)	(1,135,255)	473,357
<b>Other financing sources (uses)</b>			
Lapsed appropriations			53,277
Estopped warrants			321
Total other financing sources (uses)			53,598
Revenue and other sources over (under) expenditures and other uses	(1,135,255)	(1,135,255)	526,955
Cash fund balance, beginning of year	1,135,255	1,135,255	1,135,255
Cash fund balance, end of year	\$ -	-	1,662,210

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

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 229,711	229,711	268,669
State sources	78,632	78,632	60,228
Federal sources	550,225	550,225	595,654
Non-revenue receipts			107,421
Total revenues	858,568	858,568	1,031,972
Expenditures			
Support services			175,001
Operation of non-instructional services			747,543
Facilities acquisitions and construction			27,612
Non-categorical	1,267,442	1,267,442	
Total expenditures	1,267,442	1,267,442	950,156
Revenues over (under) expenditures	(408,874)	(408,874)	81,816
Other financing sources (uses)			
Lapsed appropriations			22,113
Revenue and other sources over (under) expenditures and other uses	(408,874)	(408,874)	103,929
Cash fund balance, beginning of year	408,874	408,874	408,874
Cash fund balance, end of year	\$ -	-	512,803

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 893,908	893,908	1,003,538
Expenditures			
Other outlays			
Debt service	911,828	911,828	912,348
Revenues over (under) expenditures	(17,920)	(17,920)	91,190
Cash fund balance, beginning of year	17,920	17,920	17,920
Cash fund balance, end of year	\$ -	-	109,110

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

**NOTES TO COMBINED FINANCIAL STATEMENTS -  
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Madill Public Schools Independent District No. I-2 (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.

*A. Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting*

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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 the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2010-11 fiscal year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**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 a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

funds 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.

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2010-11 fiscal year.

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

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

**Account Group**

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 fixed assets.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

B. *Fund Accounting* - contd.

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

**Memorandum Only - Total Column**

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, 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.

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- 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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*C. Basis of Accounting and Presentation – contd.*

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

*D. Budgets and Budgetary Accounting*

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

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.

*E. Assets, Liabilities and Fund Equity*

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*E. Assets, Liabilities and Fund Equity – contd.*

Inventories - The value of consumable inventories at June 30, 2011 is not material to the combined financial statements-regulatory basis.

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

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

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

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owned. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*F. Revenue and Expenditures-* contd.

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

The aforementioned state revenues are apportioned to the District's general fund.

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

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers made during the 2010-11 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$5,354,423 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:

- a. 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.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. 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.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no investments held at June 30, 2011.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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 can be approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

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

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

	Bonds <u>Payable</u>	Capital <u>Leases</u>	<u>Total</u>
Balance, July 1, 2010	\$ 2,815,000	387,585	3,202,585
Additions	1,175,000	10,455	1,185,455
Retirements	910,000	185,946	1,095,946
Balance, June 30, 2011	<u>\$ 3,080,000</u>	<u>212,094</u>	<u>3,292,094</u>

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2006, original issue \$805,000, interest rate of 3.4-4.125%, initial installment of \$175,000, due in annual installments of \$210,000, final payment due 12-01-11;	\$ 210,000
Building Bonds, Series 2007, original issue \$1,195,000, interest rate of 3.7-4.0%, initial installment of \$250,000, due in annual installments of \$315,000, final payment due 7-01-12;	630,000
Building Bonds, Series 2008, original issue \$535,000, interest rate of 3.5%, initial installment of \$85,000, due in annual installments of \$150,000, final payment due 7-01-13;	450,000

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt – contd**

	<u>Amount outstanding</u>
<u>General Obligation Bonds – contd.</u>	
Building Bonds, Series 2009, original issue \$785,000, interest rate of 2.0-2.45%, initial installment of \$170,000, due in annual installments of \$205,000, final payment due 6-01-14;	\$ 615,000
Building Bonds, Series 2010, original issue \$1,175,000, interest rate of 1.35-2.9%, initial installment of \$185,000, due in annual installments of \$330,000, final payment due 7-01-15;	1,175,000
<u>Capital Leases</u>	
Qualified Zone Academy Bonds for energy management equipment, totaling \$550,680, dated 12-19-02, interest rate of 3.97%, due in annual principal and interest installments of \$67,789, with the final payment due 12-19-12;	127,913
Lease agreement for copiers, dated 6-21-07, totaling \$157,600, interest rate of 5.03%, due in annual principal and interest installments of \$31,520 beginning 9-15-07, with the final payment due 9-15-11;	31,520
Lease agreement for equipment, dated 10-10-09, totaling \$92,896, interest rate of 4.10%, due in two (2) annual principal and interest installments of various amounts; beginning 10-10-10, with the final payment due 10-10-11;	47,434
Lease agreement for equipment, dated 4-12-10, totaling \$10,455, interest rate of 4.0%, due in two (2) annual principal and interest installments of various amounts; beginning 10-2-10, with the final payment due 10-2-11;	<u>5,227</u>
Total	<u>\$ 3,292,094</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt – contd**

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

Year ending June 30	Principal	Interest	Total
2012	\$ 880,000	69,562	949,562
2013	855,000	44,936	899,936
2014	685,000	23,982	708,982
2015	330,000	11,880	341,880
2016	330,000	6,270	336,270
Total	<u>\$ 3,080,000</u>	<u>156,630</u>	<u>3,236,630</u>

There was \$104,568 interest paid on general long-term debt incurred during the current year.

The annual debt service requirements for the retirement of lease payments are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 146,893	8,837	155,730
2013	65,201	2,588	67,789
Total	<u>\$ 212,094</u>	<u>11,425</u>	<u>223,519</u>

**4. Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, 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 Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

4. **Employee Retirement System -- contd.**

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$619,614, \$640,857, and \$632,877 respectively.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**4. Employee Retirement System – contd.**

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
June 30, 2005	\$ 6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	\$ 9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

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

**5. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**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; and natural disasters. The District continues to carry commercial insurance for 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.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY  
BASIS - COMBINING FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
Cash	\$ 166,138	379,575	545,713	463,535
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	7,900	21,430	29,330	32,230
Encumbrances	2,980	600	3,580	22,431
Total liabilities	<u>10,880</u>	<u>22,030</u>	<u>32,910</u>	<u>54,661</u>
 Fund Equity				
Cash fund balances	<u>155,258</u>	<u>357,545</u>	<u>512,803</u>	<u>408,874</u>
Total Liabilities and Fund Equity	<u>\$ 166,138</u>	<u>379,575</u>	<u>545,713</u>	<u>463,535</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2011	2010
<b>Revenues</b>				
Local sources	\$ 249,779	18,890	268,669	234,711
State sources		60,228	60,228	82,771
Federal sources		595,654	595,654	588,087
Non-revenue receipts		107,421	107,421	110,531
<b>Total revenues</b>	<u>249,779</u>	<u>782,193</u>	<u>1,031,972</u>	<u>1,016,100</u>
<b>Expenditures</b>				
Support services	175,001		175,001	194,397
Operation of non-instructional services		747,543	747,543	725,661
Facilities, acquisition and const. services	27,612		27,612	47,640
<b>Total expenditures</b>	<u>202,613</u>	<u>747,543</u>	<u>950,156</u>	<u>967,698</u>
Revenues over (under) expenditures	47,166	34,650	81,816	48,402
<b>Other financing sources (uses)</b>				
Lapsed appropriations	15,811	6,302	22,113	19,438
Revenue and other sources over (under) expenditures and other uses	62,977	40,952	103,929	67,840
Cash fund balance, beginning of year	92,281	316,593	408,874	341,034
Cash fund balance, end of year	<u>\$ 155,258</u>	<u>357,545</u>	<u>512,803</u>	<u>408,874</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 -REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 211,401	211,401	249,779	\$ 18,310	18,310	18,890
State sources				78,632	78,632	60,228
Federal sources				550,225	550,225	595,654
Non-revenue receipts						107,421
Total revenues	<u>211,401</u>	<u>211,401</u>	<u>249,779</u>	<u>647,167</u>	<u>647,167</u>	<u>782,193</u>
Expenditures						
Support services			175,001			747,543
Operation of non-instructional services			27,612			
Facilities acquisitions and construction				963,760	963,760	
Non-categorical	303,682	303,682		963,760	963,760	747,543
Total expenditures	<u>303,682</u>	<u>303,682</u>	<u>202,613</u>	<u>963,760</u>	<u>963,760</u>	<u>747,543</u>
Revenues over (under) expenditures	(92,281)	(92,281)	47,166	(316,593)	(316,593)	34,650
Other financing sources (uses)						6,302
Lapsed appropriations			15,811			
Revenue and other sources over (under) expenditures and other uses			<u>62,977</u>			<u>40,952</u>
Cash fund balance, beginning of year	92,281	92,281	92,281	316,593	316,593	316,593
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>155,258</u>	<u>\$ -</u>	<u>-</u>	<u>357,545</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2011**

	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	TOTALS (Memorandum Only) 2011	2010
<u>ASSETS</u>				
Cash	\$ 4,771	1,444,928	1,449,699	526,392

LIABILITIES AND FUND EQUITY

Liabilities				
Warrants payable			-	10,226
Encumbrances			-	47,789
Total liabilities			-	58,015
Fund equity				
Cash fund balances	4,771	1,444,928	1,449,699	468,377
Total Liabilities and Fund Equity	\$ 4,771	1,444,928	1,449,699	526,392

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS  
 JUNE 30, 2011**

	2011				2010		TOTALS	
	2001 BUILDING BOND FUND	2008 BUILDING BOND FUND	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	(Memorandum Only)		2011	2010
Revenue								
Local sources	\$ -	-	-	1,687			1,687	-
Expenditures								
Support Services								34,993
Facilities, acquisition & const. services			200,136				200,136	414,230
Total expenditures	-	-	200,136	-			200,136	449,223
Revenues over (under) expenditures	-	-	(200,136)	1,687			(198,449)	(449,223)
Other financing sources (uses)								
Transfers in (out)	(602)	(131,464)	(136,175)	268,241			-	40,907
Lapsed appropriations			4,771				4,771	-
Bond sales proceeds				1,175,000			1,175,000	-
Total other financing sources (uses)	(602)	(131,464)	(131,404)	1,443,241			1,179,771	40,907
Revenue and other sources over (under) expenditures and other uses	(602)	(131,464)	(331,540)	1,444,928			981,322	(408,316)
Cash fund balance, beginning of year	602	131,464	336,311	-			468,377	876,693
Cash fund balance, end of year	\$ -	-	4,771	1,444,928			1,449,699	468,377

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2011**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2011	2010
<u>ASSETS</u>		
Cash	\$ 143,649	145,750
	143,649	145,750
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 143,649	145,750
	143,649	145,750

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Football	\$ 2,599	22,777		17,744	7,632
Boys Basketball	11,041	12,551		13,887	9,705
Girls Basketball	2,987	4,479		7,416	50
HS Golf	263	3,136		2,555	844
Boys Baseball	500	15,837	100	14,442	1,995
HS Soccer	4,582	20,442		21,090	3,934
Wrestling	555	2,149		2,318	386
Boys Track	3,200	13,365	(1,800)	11,868	2,897
Girls Track	127	-		108	19
Cross Country	1,513	12,181		12,583	1,111
Girls Softball	851	8,109		8,207	753
Mid-Winter Classic	5,891	21,422		23,185	4,128
Academic Quiz Bowl	113	1,108		1,221	-
Weldon Scholarship Fund	-	500		500	-
Annual	4,557	16,155	40	16,748	4,004
Georgeann Ewing Scholarship	59	-		-	59
Athletic Concession	3,270	13,231		16,216	285
Band	1,063	10,133	1,850	9,666	3,380
Band Booster	6,923	11,966	(1,850)	9,237	7,802
MHS Colorguard Team	116	-		-	116
Math/Science Club	305	-		-	305
Vocal Music	1,082	3,843		4,868	57
Cheerleader Club	2,351	31,788	1,800	31,680	4,259
FCA	214	-		-	214
FFA	8,115	75,937	914	75,977	8,989
FFA Community Projects	2,814	3,000	(1,000)	60	4,754
Horticulture	4,612	3,683		4,539	3,756
FCCLA	278	1,140		862	556
TSA-Tech Student Association	2,374	1,290		1,022	2,642
S.A.D.D. Chapter	13	416		425	4
Letterman's Club	365	9,421		9,415	371
Beta Club	77	-		-	77
HS Art	-	705	1,966	877	1,794
Madill Touchdown Club	2,706	4,480	(1,595)	4,760	831
Alternative Education Activities	1,637	310		1,347	600
HS Miscellaneous	226	1,862		1,860	228
Native American Club	117	-		-	117
JOM Parent Committee	1	-		-	1
National Honor Society	28	3,960		3,810	178
Student Council	734	2,436		2,178	992
HS Library	94	-		-	94
Business Professionals of America	1,337	2,868	1,895	5,514	586
Class of 2015	-	2,452	1,021	3,307	166
Class of 2014	\$ -	-	420	74	346

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Class of 2013	\$ 226	-		150	76
Class of 2012	167	12,572	(958)	9,906	1,875
Class of 2011	1,021	-	(1,021)	-	-
Class of 2010	420	-	(420)	-	-
Sr. Class After Prom Party	97	1,919		1,859	157
Senior Scholarship Fund	4,549	3,550		2,547	5,552
HS Maintenance	61	-		-	61
Community Education	1,029	500		850	679
Drivers Education	53	4,200		4,200	53
Competitive Speech Team	2,607	2,983		3,705	1,885
DARE Program	364	-		175	189
Child Nutrition Program	-	107,881		107,881	-
Hispanic Advisory Council	124	-		-	124
Special Olympics	-	1,297		483	814
MEA/APOE	412	89		500	1
MS Student Council	1,980	2,233	(100)	2,748	1,365
Bank Interest	124	1,218	1,000	1,732	610
MS Miscellaneous	411	203		117	497
MS Library	3,491	851	(40)	1,199	3,103
Teacher/Student Activity	356	678		854	180
6th Grade Drama	250	-		-	250
MS Homemaking	49	-		-	49
MS FCA	146	-		-	146
MS Concession	789	4,578		3,675	1,692
MS Drama	46	-	619	135	530
MS Basketball	4,218	22,600	(256)	25,857	705
Elementary General Fund	4,492	13,551	(619)	14,825	2,599
Elementary Library	5,562	14,061		10,980	8,643
Elementary Beverages	4,188	5,064	(2,950)	6,302	-
Elementary Carnival	11,067	-		-	11,067
Elementary Annual/Cat Meow	123	-		-	123
3rd-4th-5th Grade Classes	3,648	7,588		8,351	2,885
Project MAC	772	-		-	772
Elementary Art	8,827	3,852	(1,966)	4,106	6,607
ECC Beverages	-	-	2,950	50	2,900
Kindergarten Literacy Fund	1,770	8,143		7,601	2,312
First Grade Literacy Fund	1,939	4,860		3,756	3,043
ECC Library	431	4,259		3,729	961
Pre-K Classes	251	-		124	127
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<u>145,750</u>	<u>567,862</u>	<u>-</u>	<u>569,963</u>	<u>143,649</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<u>\$ 145,750</u>	<u>567,862</u>	<u>-</u>	<u>569,963</u>	<u>143,649</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060	S060A100287	\$ 67,510	(13,328)	42,696	63,274	(20,578)
Title VII-Part A, Indian Education 2009-10 - Note 1	84.060	S060A090287	67,510	(13,328)	56,024	63,274	(20,578)
Subtotal							
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		506,970	(33,200)	406,928	473,193	(66,265)
* Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010		145,691	(33,203)	33,200	129,943	(38,560)
* ARRA Title I-Part A	84.389		26,142	(4,816)	124,586	17,724	(11,494)
* Title I-Part A, Neglected	84.010		7,948	(120)	6,230	7,141	(6,844)
* Title I-Part A, Neglected 2009-10 - Note 1	84.010		95,454	(11,800)	4,816	11,800	(7,716)
* ARRA Title I-Part A, Neglected	84.389		1,544		417	1,497	(1,497)
* Title I-Part C, Migrant Incentive 2009-10 - Note 1	84.011		34,892		84,879	18,369	(12,545)
* Title II-Part A, Teacher & Principal Training	84.367		323,360		5,824	323,359	(7,994)
* Title II-Part D, Professional Development	84.318		8,865	(16,149)	8,801	8,865	
* Title III-Part A English Language Acquisition	84.365		4,436	(18,987)	315,365	4,436	
* Title III-Part A English Language Acquisition 2009-10 - Note 1	84.365		3,441		16,149	1,038	(1,038)
* Special Education, Flowthrough, P.L. 105-17	84.027		41,877		27,852	10,682	(423)
* Special Education, Flowthrough 2009-10 - Note 1	84.027		8,865		388,632	388,632	
* ARRA Special Education, Flowthrough, P.L. 105-17	84.391		4,436		22,898	22,898	
* Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		319,245		319,245	319,245	
* Title IV-Part A, Safe & Drug-Free Schools	84.186		1,931,395	(104,178)	1,769,419	1,819,617	(154,376)
* Title VI-Small, Rural School Ach. Program	84.358						
* ARRA Education Stabilization Funds	84.394						
* ARRA GSF Textbooks	84.397						
* Education Jobs Fund	84.410						
Subtotal							
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048		30,988	(4,141)	30,987	30,987	
Carl Perkins Grant 2009-10 - Note 1	84.048		30,988	(4,141)	4,141	30,987	
Subtotal							

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/ Pass-through Grantor's Number	Federal CFDA Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<b>U.S. Department of Agriculture:</b>							
<b>Passed Through State Department of Education:</b>							
<b>* Child Nutrition Cluster:</b>							
Non-Cash Assistance (Commodities):							
National School Lunch Program		10.555			48,549	48,549	
<i>Non-Cash Assistance Subtotal</i>							
Cash Assistance:							
National School Lunch Program		10.555			473,699	473,699	
School Breakfast Program		10.553			121,955	121,955	
<i>Cash Assistance Subtotal</i>					595,654	595,654	
<i>Total For Program (Cluster)</i>					644,203	644,203	
<b>Other Federal Assistance:</b>							
Johnson O'Malley		15.130	\$ 15,912	(2,530)	3,214	6,302	(3,088)
Johnson O'Malley 2009-10 - Note 1		15.130			2,530		
Submarginal Lands		93.778			22,117		
Flood Control		12.112			21,204	21,204	
Medicaid		93.778			827	827	
<i>Subtotal</i>				(2,530)	49,892	28,333	19,029
<b>Total Federal Assistance</b>			<b>\$ 2,089,953</b>	<b>(124,177)</b>	<b>2,554,666</b>	<b>2,586,414</b>	<b>(155,925)</b>

\* Major federal programs

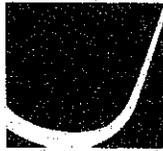
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$48,549 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
 SCHEDULE OF SURETY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Ohio Casualty Insurance Co.	Superintendent	601000438	\$100,000	4/12/11-6/30/11
	Treasurer	5057301	\$100,000	7/1/10-6/30/11
	Activity Fund Custodian	18299198	\$10,000	9/4/10-9/4/11
	Lunch Fund Custodian	5094713	\$5,000	7/1/10-6/30/11
	Minutes Clerk	5057303	\$1,000	7/1/10-6/30/11
	Encumbrance Clerk	69555276	\$1,000	7/22/10-7/22/11



**Jack H. Jenkins, CPA** *A Professional Corporation*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education  
Madill School District No. I-002  
Madill, Oklahoma 73446-2846

I have audited the regulatory basis financial statements of Madill School District No. I-002, Madill, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated December 6, 2011. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* 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 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.

My 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. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

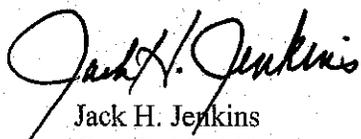
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 11-01.

I also reported this matter to the District's management in a separate letter dated December 6, 2011.

The District's response to the finding identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2011



**Jack H. Jenkins, CPA** *A Professional Corporation*

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

The Honorable Board of Education  
Madill School District No. I-002  
Madill, Oklahoma 73446-2846

**Compliance**

I have audited Madill School District No. I-002, Madill, Oklahoma compliance, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 11-01 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding reporting that are applicable to its Child Nutrition program. Compliance with such requirements is necessary, in my opinion, for the District to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Madill School District No. I-002, Madill, 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.

### **Internal Control Over Compliance**

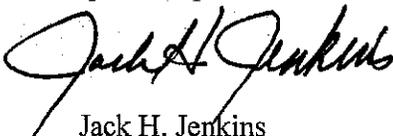
Management of Madill School District No. I-002, Madill, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* in an entity's internal control over 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 material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over noncompliance that I consider to be a significant deficiency, as described in the accompanying schedule of findings and questioned costs as item 11-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Also, I have reported this matter to District's management, in a separate letter dated December 6, 2011.

The District's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the District's response and, accordingly, I express no opinion on the response.

This report is intended solely for the information of the board of education, management, State Department of Education, State Auditor and Inspector's Office, 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.



Jack H. Jenkins  
Certified Public Accountant, P.C.

December 6, 2011

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2010 TO JUNE 30, 2011**

**Summary of Auditor's Results**

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed and the financial statements do not include the general fixed asset account group.
2. The audit disclosed no deficiencies in the internal controls of the financial statements that were considered material weaknesses.
3. The audit disclosed no deficiencies in the internal controls over major programs that were considered material weaknesses.
4. A qualified opinion report was issued on the compliance of major programs.
5. The audit disclosed an audit finding and questioned cost, which is required to be reported under OMB Circular A-133 § 510(a) and is detailed on page 43.
6. The programs tested as major federal programs were: Title I programs, Child Nutrition programs and ARRA Stabilization Fund programs, which were each clustered in the determination and Education Jobs Fund, which were not clustered.
7. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
8. The auditee was not determined to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2010 TO JUNE 30, 2011**

**Summary of Auditor's Results – cont'd**

**Findings and Questioned Costs – Major Federal Award Programs Audit**

11-01 – Child Nutrition Program

Condition: The March 2011 claim for reimbursement for full-priced breakfasts served under the Child Nutrition Program was overstated by 7,394 meals. The questioned costs resulting in this discrepancy were calculated to be an over-reimbursement of \$1,922.44.

Criteria: Claims for reimbursement of meals through the Child Nutrition Program should be prepared by the Child Nutrition Program Director and reviewed for accuracy prior to submission to the Oklahoma State Department of Education.

Effect: Reimbursements could be overstated or understated due to incorrect meal counts.

Recommendation: That the District notify the Oklahoma State Department of Education about the discrepancy, submit a revised reimbursement claim form and put in place controls to ensure the correct submission of meal counts for reimbursement.

**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

There were no prior year audit findings.

**INDEPENDENT SCHOOL DISTRICT NO. I-2, MARSHALL COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011**

State of Oklahoma    )  
County of Tulsa        )

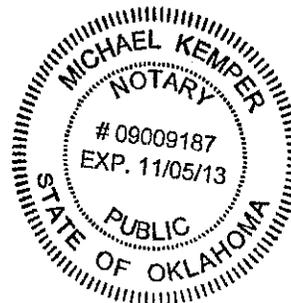
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Madill School District for the audit year 2010-11.

Jack H. Jenkins, CPA, P.C.  
AUDITING FIRM

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

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

*Michael Kemper*  
NOTARY PUBLIC



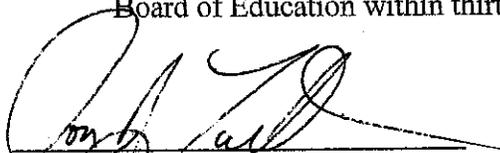
**INDEPENDENT SCHOOL DISTRICT NO. 1-2, MARSHALL COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2010 TO JUNE 30, 2011**

The annual independent audit for the Madill School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

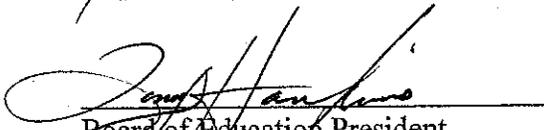
The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

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

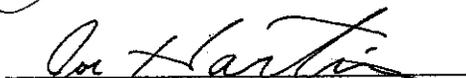
"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

  
\_\_\_\_\_  
Superintendent of Schools

12-12-11  
\_\_\_\_\_  
Date of Board Meeting

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

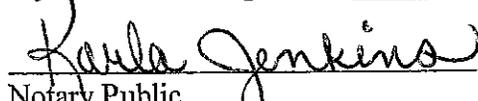
  
\_\_\_\_\_  
Board of Education Clerk

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

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

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

Subscribed and sworn to before me on this 13 day of Dec., 2011.  
My commission expires on 20 day of Nov., 2013.

  
\_\_\_\_\_  
Notary Public

Affix Notary Seal





**Jack H. Jenkins, CPA** *A Professional Corporation*

December 6, 2011

Madill Public Schools  
Attn: Mr. John Tuck  
601 West McArthur St.  
Madill, OK 73446-2846

Dear Mr. Tuck:

Listed below is an audit exception and recommendation from the final audit work we performed for you. Please review it carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education and the Oklahoma State Auditor and Inspector's Office within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following contains an exception relayed to management that is an audit finding and questioned cost, which is required to be reported under OMB Circular A-133 § 510(a). This comment requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

11-01 – Child Nutrition Program

Condition: The March 2011 claim for reimbursement for full-priced breakfasts served under the Child Nutrition Program was overstated by 7,394 meals. The questioned costs resulting in this discrepancy were calculated to be an over-reimbursement of \$1,922.44.

Criteria: Claims for reimbursement of meals through the Child Nutrition Program should be prepared by the Child Nutrition Program Director and reviewed for accuracy prior to submission to the Oklahoma State Department of Education.

Effect: Reimbursements could be overstated or understated due to incorrect meal counts.

Recommendation: That the District notify the Oklahoma State Department of Education about the discrepancy, submit a revised reimbursement claim form and put in place controls to ensure the correct submission of meal counts for reimbursement.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Jack H. Jenkins  
Certified Public Accountant, P.C.

John Carter, Superintendent  
Cindy Dodds, Federal Programs  
Amy Bond, Receptionist  
Joanna Allen, Treasure  
Kim Behrens, Encumbrance Clerk  
Carol Combs, Payroll Clerk

# MADILL SCHOOLS



(580) 795-3303

601 West McArthur

Madill, OK 73448

11/09/11

To Whom It May Concern:

In response to Jack H. Jenkins, CPA correspondence, dated 12-06-11 to Mr. Tuck. Concerning general fund purchase order number 20, I have found the problem and will be correcting the issue as soon as possible. And concerning child nutrition fund purchase order number 33, I will be visiting with Louise Cass to go over the invoices and verify that they were received. As soon as I have these issues completely corrected, I will send you documents supporting the corrections.

Sincerely,

A handwritten signature in black ink that reads "Kim Behrens". The signature is written in a cursive, flowing style.

Kim Behrens  
Encumbrance Clerk  
Madill Public Schools