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**FINANCIAL STATEMENTS – REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**  
**MEEKER INDEPENDENT SCHOOL DISTRICT NO. 1-95,  
LINCOLN COUNTY, OKLAHOMA**

**JUNE 30, 2011**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
JUNE 30, 2011

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JUNE 30, 2011

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Meeker School District No. I-95  
Meeker, Oklahoma

We have audited the accompanying fund type and account group financial statements of Meeker School District No. I-95 (the District), Lincoln County, Oklahoma, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis 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 generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be 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, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2011, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed 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 of the District as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. 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.

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 12, 2011



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

The Honorable Board of Education  
Meeker School District No. I-95  
Meeker, Oklahoma

We have audited the combined financial statements – regulatory basis of Meeker School District (the District) No. I-95, Meeker, Oklahoma, as of and for the year ended June 30, 2011, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting 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.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 12, 2011



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

The Honorable Board of Education  
Meeker School District No. I-95  
Meeker, Oklahoma

Compliance

We have audited Meeker School District (the District) No. I-95, Meeker, Oklahoma's, 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 the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 12, 2011

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL  
INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2011

There were no prior year reportable conditions.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011

**Section 1** - Summary of Auditor's Results

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no instances of noncompliance which were material to the financial statements.
3. The audit disclosed no significant deficiencies in the internal controls over financial reporting which were considered to be material weaknesses.
4. An unqualified opinion report was issued on the compliance of major programs.
5. The audit disclosed no significant deficiencies in the internal controls over major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are the Education Jobs Funds (84.410), which was not clustered in determination, the Child Nutrition Programs (10.553, 10.555) and the State Fiscal Stabilization Funds (84.394, 84.397), which were clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not to be a low-risk auditee.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS:

None

**Section 3** – Findings and questioned costs for federal awards:

None

**COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS  
 JUNE 30, 2011

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES		ACCOUNT GROUP		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	AGENCY FUNDS	GENERAL	LONG-TERM DEBT		
<b>ASSETS</b>								
Cash	\$ 1,474,465	150,032	228,930	128,905				1,982,332
Amounts available in debt service						5,814		5,814
Amount to be provided for retirement of long-term debt						604,141		604,141
<b>Total Assets</b>	<b>\$ 1,474,465</b>	<b>150,032</b>	<b>228,930</b>	<b>128,905</b>	<b>609,955</b>	<b>609,955</b>		<b>2,592,287</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>Liabilities:</b>								
Warrants payable	\$ 380,104	22,083						402,187
Encumbrances	4,505	362						4,867
Unmatured obligations			223,116					223,116
Funds held for school organizations				128,905				128,905
Long-term debt:								
Capital leases						179,955		179,955
Bonds payable						430,000		430,000
<b>Total liabilities</b>	<b>384,609</b>	<b>22,445</b>	<b>223,116</b>	<b>128,905</b>	<b>609,955</b>	<b>609,955</b>		<b>1,369,030</b>
<b>Fund Equity:</b>								
Cash fund balances	1,089,856	127,587	5,814	0				1,223,257
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,474,465</b>	<b>150,032</b>	<b>228,930</b>	<b>128,905</b>	<b>609,955</b>	<b>609,955</b>		<b>2,592,287</b>

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

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
Revenues collected:				
Local sources	\$ 571,001	194,005	233,829	998,835
Intermediate sources	109,083			109,083
State sources	3,997,840	31,205	68	4,029,113
Federal sources	705,745	392,733		1,098,478
Interest earnings	11,107	1,012	943	13,062
Non-revenue receipts	51,525	200		51,725
Total revenues collected	<u>5,446,301</u>	<u>619,155</u>	<u>234,840</u>	<u>6,300,296</u>
Expenditures:				
Instruction	3,204,686	17,350		3,222,036
Support services	1,694,207	199,411		1,893,618
Operation of non-instructional services		361,000		361,000
Facilities acquisition & construction services	31,961	1,960		33,921
Other outlays :				
Debt service requirements			231,252	231,252
Reimbursements		200		200
Indirect cost entitlement		492		492
Correcting entry	4,004	11,334		15,338
Other uses	840			840
Repayments	116	36		152
Total expenditures	<u>4,935,814</u>	<u>591,783</u>	<u>231,252</u>	<u>5,758,849</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	510,487	27,372	3,588	541,447
Adjustments to prior year encumbrances	<u>11</u>	<u>316</u>	<u>0</u>	<u>327</u>
Excess of revenues collected over (under) expenditures	510,498	27,688	3,588	541,774
Cash fund balances, beginning of year	<u>579,358</u>	<u>99,899</u>	<u>2,226</u>	<u>681,483</u>
Cash fund balances, end of year	<u>\$ 1,089,856</u>	<u>127,587</u>	<u>5,814</u>	<u>1,223,257</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 527,493	571,001	43,508
Intermediate sources	91,571	109,083	17,512
State sources	3,878,324	3,997,840	119,516
Federal sources	547,660	705,745	158,085
Interest earnings		11,107	11,107
Non-revenue receipts	1,392	51,525	50,133
Total revenues collected	<u>5,046,440</u>	<u>5,446,301</u>	<u>399,861</u>
Expenditures:			
Instruction	5,625,798	3,204,686	2,421,112
Support services		1,694,207	(1,694,207)
Facilities Acquisition & Construction Services		31,961	(31,961)
Other outlays:			
Correcting entry		4,004	(4,004)
Other uses		840	(840)
Repayments		116	(116)
Total expenditures	<u>5,625,798</u>	<u>4,935,814</u>	<u>689,984</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(579,358)	510,487	1,089,845
Adjustments to prior year encumbrances	<u>0</u>	<u>11</u>	<u>11</u>
Excess of revenues collected over (under) expenditures	(579,358)	510,498	1,089,856
Cash fund balance, beginning of year	<u>579,358</u>	<u>579,358</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>1,089,856</u>	<u>1,089,856</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 166,719	194,005	27,286
State sources	5,287	31,205	25,918
Federal sources	369,231	392,733	23,502
Interest earnings		1,012	1,012
Non-revenue receipts	11,533	200	(11,333)
Total revenues collected	552,770	619,155	66,385
Expenditures:			
Instruction	151,463	17,350	134,113
Support services	111,038	199,411	(88,373)
Operation of non-instructional services	390,168	361,000	29,168
Facilities acquisition & construction services		1,960	(1,960)
Other outlays:			
Reimbursement		200	(200)
Indirect cost entitlement		492	(492)
Correcting entry		11,334	(11,334)
Repayments		36	(36)
Total expenditures	652,669	591,783	60,886
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(99,899)	27,372	127,271
Adjustments to prior year encumbrances	0	316	316
Excess of revenues collected over (under) expenditures	(99,899)	27,688	127,587
Cash fund balances, beginning of year	99,899	99,899	0
Cash fund balances, end of year	\$ 0	127,587	127,587

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

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 229,007	233,829	4,822
State sources		68	68
Interest earnings		943	943
Total revenues collected	<u>229,007</u>	<u>234,840</u>	<u>5,833</u>
Requirements:			
Bonds	215,000	215,000	
Coupons	16,233	16,233	
Commission paid to fiscal agent		19	19
Total requirements	<u>231,233</u>	<u>231,252</u>	<u>19</u>
Excess of revenue collected over (under) expenditures	(2,226)	3,588	5,814
Cash fund balance, beginning of year	<u>2,226</u>	<u>2,226</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>5,814</u>	<u>5,814</u>

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-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements – regulatory basis of the Meeker Public Schools Independent District No. I-95 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. 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.

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**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 Funds – Special revenue funds include the District’s building, co-op and child nutrition funds.

Building Fund – The 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.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Fund Accounting - cont'd**

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 Fund – 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.

**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. The terms “non-expendable” and “expendable” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

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

**Account Groups**

An account group is not a fund and consists 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 is established to account for all the 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-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – cont’d

C. Fund Accounting - cont’d

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 or results of operations 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.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year’s budget appropriations.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**C. Basis of Accounting – cont'd**

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

**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.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

The 2010-11 Estimate of Needs was not amended by supplemental appropriations.

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. Unencumbered appropriations lapse at the end of each fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

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

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

Investments – The District is allowed to invest in direct obligations of the United State's government and agencies; certificates of deposit of savings and loan associations, banks 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.

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

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets 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.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

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.

F. Revenue and Expenditures

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

Local Revenues – Revenue from local sources is the monies 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 rolls 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 is due prior to January 1. The second half is due prior to April 1.

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

Other local sources of revenues include 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 are collected within such systems.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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 from or additions to the revenue of the year when the adjustment is made.

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

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 passthrough 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.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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 cocurricular 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.

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 improvements to sites.

Other Outlays 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).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures 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.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

F. Revenue and Expenditures – cont'd

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. During the 2010-11 fiscal year, there were no transfers made in any of the District's funds.

**2. CASH AND INVESTMENTS**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2011, was \$1,760,145. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2011, the District did not maintain any investments.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

**2. CASH AND INVESTMENTS (cont'd)**

*Credit risk – Investments* -- Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District does not have a formal policy limiting its exposure arising from concentration of investments.

**3. INTERFUND RECEIVABLES AND PAYABLES**

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

**4. GENERAL LONG-TERM DEBT**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. 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 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 and judgments are paid 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:

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Totals</u>
Balance, July 1, 2010	\$ 645,000	206,010	851,010
Retirements	<u>(215,000)</u>	<u>(26,055)</u>	<u>(241,055)</u>
Balance, June 30, 2011	<u>\$ 430,000</u>	<u>179,955</u>	<u>609,955</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

**4. GENERAL LONG-TERM DEBT – cont'd**

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Building Bonds, Series 2007, original issue \$645,000, interest rates of 3.75% to 4.00 %, due in installments of \$215,000, final payment of \$215,000 due on 07-01-12	\$ 430,000
<u>Capital Leases:</u>	
Lease purchase agreement for IHC Bus, dated 11-15-07, for \$45,900, @4.978%, due in monthly principal and interest installments of \$866.64, final payment due 11-15-12	14,191
Lease purchase for sports complex fixtures, dated 10-09-08, totaling \$250,500, @4.875%, due in annual principal and interest installments of \$31,961.15, final payment due on 07-15-18	<u>165,764</u>
Total	<u>\$ 609,955</u>

The annual debt service requirements for the retirement of the bonds and capital leases, including the payment of principal and interest are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>        </u>	<u>        </u>	<u>        </u>
2012	242,349	24,801	267,150
2013	237,566	15,455	253,021
2014	19,178	6,339	25,517
2015	20,113	5,405	25,518
2016	21,094	4,424	25,518
Thereafter	<u>69,655</u>	<u>6,899</u>	<u>76,554</u>
Total	<u>\$ 609,955</u>	<u>63,323</u>	<u>673,278</u>

Interest paid on general long-term debt during the 2010-11 fiscal year totaled \$42,864.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**5. 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 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. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2010-11 fiscal year, the District contributed 9.50% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, the

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**5. EMPLOYEE RETIREMENT SYSTEM AND PLAN - cont'd**

District is required to match the retirement paid on salaries that are funded with federal funds. The District's total contributions for 2011, 2010 and 2009 were \$419,676, \$545,956 and \$518,845, respectively.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit [www.ok.gov/TRS](http://www.ok.gov/TRS) for all plan information.

**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; 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 risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School 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 it 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 school's 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 its loss fund in three years, it is returned to the District with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

**7. CONTINGENCIES**

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

**COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 JUNE 30, 2011

	<u>BUILDING FUND</u>	<u>CO-OP FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 38,111	7,051	104,870	150,032
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Warrants payable	\$ 2,753	4,000	15,330	22,083
Encumbrances	100		262	362
Total liabilities	<u>2,853</u>	<u>4,000</u>	<u>15,592</u>	<u>22,445</u>
 Fund Equity:				
Cash fund balances	<u>35,258</u>	<u>3,051</u>	<u>89,278</u>	<u>127,587</u>
Total Liabilities and Fund Equity	<u>\$ 38,111</u>	<u>7,051</u>	<u>104,870</u>	<u>150,032</u>

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND	CO-OP FUND	CHILD NUTRITION FUND	TOTAL
Revenues Collected:				
Local sources	\$ 91,577		102,428	194,005
State sources	23		31,182	31,205
Federal sources		152,350	240,383	392,733
Interest earnings	238		774	1,012
Non-revenue receipts			200	200
Total revenues collected	<u>91,838</u>	<u>152,350</u>	<u>374,967</u>	<u>619,155</u>
Expenditures:				
Instruction		17,350		17,350
Support services	67,457	131,954		199,411
Operation of non-instructional services			361,000	361,000
Facilities acquisition & construction services	1,960			1,960
Other outlays:				
Reimbursement			200	200
Indirect cost entitlement		492		492
Correcting entry	11,334			11,334
Repayments			36	36
Total expenditures	<u>80,751</u>	<u>149,796</u>	<u>361,236</u>	<u>591,783</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	11,087	2,554	13,731	27,372
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>316</u>	<u>316</u>
Excess of revenues collected over (under) expenditures	11,087	2,554	14,047	27,688
Cash fund balances, beginning of year	<u>24,171</u>	<u>497</u>	<u>75,231</u>	<u>99,899</u>
Cash fund balances, end of year	<u>\$ 35,258</u>	<u>3,051</u>	<u>89,278</u>	<u>127,587</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES  
 IN CASH FUND BALANCES - BUDGET AND ACTUAL COMPARISON  
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			CO-OP FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:									
Local sources	\$ 75,334	75,334	91,577	\$			\$ 91,385	91,385	102,428
State sources			23				5,287	5,287	31,182
Federal sources				150,966	150,966	152,350	218,265	218,265	240,383
Interest earnings			238						774
Non-revenue receipts	11,533	11,533							200
Total revenues collected	<u>86,867</u>	<u>86,867</u>	<u>91,838</u>	<u>150,966</u>	<u>150,966</u>	<u>152,350</u>	<u>314,937</u>	<u>314,937</u>	<u>374,967</u>
Expenditures:									
Instruction				151,463	151,463	17,350			
Support services	111,038	111,038	67,457			131,954			
Operation of non-instructional services							390,168	390,168	361,000
Facilities acquisition & construction services			1,960						
Other outlays:						492			200
Reimbursement									
Indirect cost entitlement									
Correcting entry			11,334						
Repayments									
Total expenditures	<u>111,038</u>	<u>111,038</u>	<u>80,751</u>	<u>151,463</u>	<u>151,463</u>	<u>149,796</u>	<u>390,168</u>	<u>390,168</u>	<u>361,236</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(24,171)	(24,171)	11,087	(497)	(497)	2,554	(75,231)	(75,231)	13,731
Adjustment to prior year encumbrances	0	0	0	0	0	0	0	0	316
Excess of revenues collected over (under) expenditures	(24,171)	(24,171)	11,087	(497)	(497)	2,554	(75,231)	(75,231)	14,047
Cash fund balances, beginning of year	24,171	24,171	24,171	497	497	497	75,231	75,231	75,231
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>35,258</u>	<u>\$ 0</u>	<u>0</u>	<u>3,051</u>	<u>0</u>	<u>0</u>	<u>89,278</u>

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>BALANCE</u> 7-01-10	<u>ADDITIONS</u>	<u>NET</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6-30-11
<u>ASSETS</u>					
Cash	\$ 125,061	367,203	0	363,359	128,905
<u>LIABILITIES</u>					
Funds held for school organizations:					
Athletics	\$ 6,462	75,818		71,155	11,125
FFA	16,278	58,952		61,019	14,211
Yearbook	3,772	21,636		20,519	4,889
H.S. cheerleaders	1,238	5,999		5,113	2,124
Art	0	1,018		1,018	0
Band	722	3,513		3,553	682
Pep club	129	0		0	129
H.S. Pom	1,633	9,132		8,591	2,174
Clearing fund	0	2,861		2,861	0
H.S. Stuco	1,168	7,929		7,766	1,331
H.S. nat'l honor society	400	2,561		2,469	492
M.S. Stuco	2,605	2,027		2,111	2,521
Speech	1,752	3,099		4,071	780
M.S. cheerleaders	63	741		662	142
Band booster	813	0		448	365
All sports	4,550	19,826		18,632	5,744
Indian club	264	352		169	447
Art club	486	3,725		2,323	1,888
Special Olympics	2,351	4,482		5,699	1,134
Elementary activity	15,466	43,216		36,452	22,230
Elementary vocal	1,325	2,377		1,761	1,941
Academic bowl	408	0		120	288
Academic team H.S.	229	600		504	325
H.S. chorus	17	0		0	17
S.B./Baseball	3,194	10,942		11,712	2,424
Elementary library	1,679	8,000		7,791	1,888
H.S./M.S. activity	123	93		121	95
Activity fund (reimbursement)	1,207	2,053		2,014	1,246
Class of 2012	1,886	6,405		6,001	2,290
Parents in education	7,148	1,227		5,661	2,714
Class of 2011	1,084	3,573		2,618	2,039
Class of 2010	1,490	0		1,490	0
Flower fund	19	14		25	8
Class of 2013	0	2,085		544	1,541
M.S. nat'l honor society	68	957		769	256
Home economics	32	1,142		523	651
Five Star interlocal co-op	23	0		0	23
H.S. Fund	2,024	3,146		2,281	2,889
H.S. boy's basketball	4,412	6,617		8,259	2,770
H.S. girl's basketball	1,050	15,272		12,061	4,261
QB club	938	2,495		1,867	1,566

INDEPENDENT SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-01-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
Baseball	\$ 4,066	8,620		9,042	3,644
Track	1,429	1,254		2,244	439
Football	12,402	12,907		22,698	2,611
House account	13,526	4,875		4,696	13,705
M.S. activity fund	4,121	4,849		3,595	5,375
OPAT activity account	580	0		42	538
Future Educators	171	813		289	695
<b>Total Liabilities</b>	<b>\$ 125,061</b>	<b>367,203</b>	<b>0</b>	<b>363,359</b>	<b>128,905</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/10	Revenue Collected	Total Expenditures	Balance at 6/30/11
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060	S060A100674	\$ 32,451		32,451	32,451	
Impact Aid Operations	84.041	S041B104086	29,528		29,528	29,528	
Readiness & Emergency Management	84.184	Q184E100269	96,696		10,380	10,380	
Sub Total			<u>158,675</u>	<u>0</u>	<u>72,359</u>	<u>72,359</u>	<u>0</u>
<u>Passed Through State Department of Education:</u>							
Title I, Basic Program	84.010		169,451		127,878	138,658	10,780
Title I, Basic Program 2009-10 - Note	84.010			88,071	88,071		
Title I, Basic Program, ARRA	84.389		2,421		2,420	2,420	
Title II, Part A	84.367		64,355		2,262	3,887	1,625
Title II, Part B, math & science	84.367		133,124		134,508	132,805	(1,703)
Title II, Part D	84.318		396			249	249
IDEA-B Flowthrough, ARRA	84.391		9,545		9,545	9,545	
IDEA-B Flowthrough, ARRA 2009-10 - Note	84.391			4,631	4,631		
Title IV, Part A	84.186		188			188	
Title IV, Part A 2009-10 - Note	84.186			1,756	1,756		
Title VI, Part B	84.358		25,906		23,055	23,157	102
Title VI Part B 2009-10 - Note	84.358			153	153		
*Foundation and Salary Incentive ARRA	84.394		186,357		186,357	186,357	
*Government Service Fund Textbook ARRA	84.397		10,283			10,283	
*Education Jobs	84.410		155,005		155,005	155,005	
Sub Total			<u>757,031</u>	<u>94,611</u>	<u>735,829</u>	<u>662,554</u>	<u>11,053</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins	84.048		17,842		17,842	17,842	0
Carl Perkins 2009-10 - Note	84.048			522	522		
Sub Total			<u>17,842</u>	<u>522</u>	<u>18,364</u>	<u>17,842</u>	<u>0</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education</u>							
<u>*Child Nutrition Programs:</u>							
School Breakfast Program	10.553				67,487	67,487	
National School Lunch Program	10.555				172,895	172,895	
Sub Total					<u>240,382</u>	<u>240,382</u>	
<u>Passed Through Department of Human Services:</u>							
<u>*Non-cash assistance - commodities</u>							
National school lunch program - Note 1	10.555				21,121	21,121	
<u>Other Federal Assistance:</u>							
Medicaid	93.778		6,003		6,003	6,003	
Rehab services	84.126		25,541		25,541	25,541	
Sub Total			<u>31,544</u>	<u>0</u>	<u>31,544</u>	<u>31,544</u>	<u>0</u>
Total Federal Assistance			<u>\$ 965,092</u>	<u>95,133</u>	<u>1,119,599</u>	<u>1,045,802</u>	<u>11,053</u>

\* Major Programs

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

Note 1- Commodities received by the District in the amount of \$21,121 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this account.

Note 2 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

SCHOOL DISTRICT NO. 1-95, LINCOLN COUNTY  
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY 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>
CNA Surety - Western Surety Company	Treasurer	18254332	\$ 100,000	07/18/10 - 07/18/11
	Elementary Secretary	18299679	5,000	09/25/10 - 09/25/11
	Athletic Director	18299679	5,000	09/25/10 - 09/25/11
	Encumbrance Clerk	18299679	5,000	09/25/10 - 09/25/11
	H.S. Lunch Director	18299679	5,000	09/25/10 - 09/25/11
	Activity Fund	18299679	5,000	09/25/10 - 09/25/11
	Superintendent	18299679	100,000	09/25/10 - 09/25/11

INDEPENDENT SCHOOL DISTRICT NO. I-95, LINCOLN COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2009 TO JUNE 30, 2010

State of Oklahoma            )  
  ) ss  
County of Tulsa             )

The undersigned auditing firm of lawful ages, 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 Meeker Public Schools for the audit year 2010-11.

Sanders, Bledsoe & Hewett,  
Certified Public Accountants, LLP  
Auditing Firm

By Jeffrey D. Hewett  
Authorized Agent

Subscribed and sworn to before me  
This 12<sup>th</sup> day of December 2011



Earlene Hart  
Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-12  
Commission No. 00008621



**SANDERS, BLEDSOE & HEWETT**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA  
Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

December 12, 2011

Ms. Rita Palmer, Supt.  
Meeker Public Schools  
214 E. Carl Hubbell Blvd.  
Meeker, Oklahoma 74855

Dear Ms. Palmer:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

**The following section contains the exceptions relayed to management that are immaterial instances of non-compliance with laws and regulations, and which are not included but referred to in your audit report.**

Financial Reporting/Software

We observed during the course of the audit, that the board of education was approving treasurer's reports, which are created outside of the accounting software utilized by the District, monthly as part of the board meetings. While these reports detail accurate financial information, the information is not being inputted into the Municipal Accounting Software, Treasurer's portion, until the end of the year. We recommend that the revenues be recorded and the outstanding checks be cleared, in a timely manner (at least one time per month). Reconciliation of the MAS software should also be compared to the bank each month to ensure the accuracy of the amounts presented to the board of education for approval.

Ms. Rita Palmer, Supt.  
Meeker Public Schools

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Appropriations

We observed during the audit that the appropriations for the general, building and child nutrition funds were not properly budgeted among the bold line item function codes. Therefore, actual line item expenditures were in excess of budgeted line item expenditures in several instances. However, the fund did not have total expenditures in excess of appropriations. We recommend that the district implement procedures which require a continuous review of available appropriations versus current expenditures and future needs by bold line item function codes in order to ensure that transfers of appropriations between budgeted line item function codes are made before expenditures exceed available line item budgeted amounts.

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,



Jeffrey D. Hewett

For

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP