

REPORT OF AUDIT
MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

MIDDLEBERG SCHOOL DISTRICT NO. C-96
GRADY COUNTY, OKLAHOMA
JUNE 30, 2011

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MIDDLEBERG SCHOOL DISTRICT NO. #C-96
GRADY COUNTY, OKLAHOMA
JUNE 30, 2011

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**MIDDLEBERG COUNTY SCHOOL DISTRICT NO. C-96, GRADY COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

BOARD OF EDUCATION

President	Mark Shaw
Board Member	Scott Weaver
Clerk	Glenda Fenimore

SUPERINTENDENT OF SCHOOLS

Dena Stewart

ENCUMBRANCE CLERK

Sherri Shipmen

SCHOOL DISTRICT TREASURER

Darrel Johnston

Chas. W. Carroll, P.A.

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Enid, Oklahoma 73701
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Middleberg School District #C-96
Grady County, Oklahoma

I have audited the accompanying fund type and account group financial statements of Middleberg School District #C-96, Grady 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. 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 the standards applicable to financial audits contained in 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 financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described 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 differs from accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

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

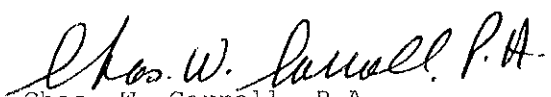
In my opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middleberg School District #C-96, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended.

In my opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Middleberg School District #C-96, as of June 30, 2011, and the revenues collected and expenditures paid/expenses, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements, schedules, and schedule of expenditures of federal awards, as listed in the Table of Contents under the other supplementary information, are presented for purposes of additional analysis, and are not a required part of the basic financial statement of the District. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in my opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated February 13, 2012, on my consideration of the District's internal control over financial reporting and on 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 the testing, and not to provide an opinion. That report is an integral part of an audit per-formed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Sincerely,


Chas. W. Carroll, P.A.
February 13, 2012

COMBINED FINANCIAL STATEMENTS

Middleberg School District No. C-096, Grady County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2011

	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
ASSETS								
Cash and Cash Equivalents	\$ 212,841	\$ 76,169	\$ 190,444	\$ 82,094	\$ 26,967			\$ 588,515
Investments	0	0	0	0	0			0
Amounts Available in Debt Service Fund	0	0	0	0	0			190,444
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0			294,556
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0			174,518
Total Assets	\$ 212,841	\$ 76,169	\$ 190,444	\$ 82,094	\$ 26,967		\$ 659,518	\$ 1,248,033
LIABILITIES AND FUND BALANCE								
Liabilities:								
Warrants Payable	\$ 37,613	\$ 1,316	\$ 0	\$ 1	\$ 0			\$ 38,929
Reserve for Encumbrances	7,939	120	0	0	0			8,058
Due to Activity Groups	0	0	0	0	26,967			26,967
General Obligation Bonds Payable	0	0	0	0	0		485,000	485,000
Capitalized Lease Obligations Payable	0	0	0	0	0		174,518	174,518
Total Liabilities	\$ 45,551	\$ 1,436	\$ 0	\$ 1	\$ 26,967		\$ 659,518	\$ 733,473
Fund Equity:								
Reserved for Debt Service	\$ 0	\$ 0	\$ 190,444	\$ 0	\$ 0			\$ 190,444
Reserved for Capital Projects	0	0	0	82,093	0			82,093
Cash Fund Balance	167,290	74,734	0	0	0			242,024
Total Fund Equity	\$ 167,290	\$ 74,734	\$ 190,444	\$ 82,093	\$ 0		\$ 0	\$ 514,560
Total Liabilities and Fund Equity	\$ 212,841	\$ 76,169	\$ 190,444	\$ 82,094	\$ 26,967		\$ 659,518	\$ 1,248,033

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

Middleberg School District No.C-096, Grady County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
Revenue Collected:					
Local Sources	\$ 342,276	\$ 67,838	\$ 196,319	\$ 365	\$ 606,798
Intermediate Sources	30,033	0	0	0	30,033
State Sources	698,957	17,042	0	0	715,999
Federal Sources	190,222	55,880	0	0	246,102
Non-Revenue Receipts	3,274	0	0	0	3,274
<i>Total Revenue Collected</i>	<u>\$ 1,264,763</u>	<u>\$ 140,760</u>	<u>\$ 196,319</u>	<u>\$ 365</u>	<u>\$ 1,602,206</u>
Expenditures Paid:					
Instruction	\$ 886,199	\$ 1,687	\$ 0	\$ 0	\$ 887,886
Support Services	431,359	68,330	0	214,464	714,152
Operation of Non-Instructional Services	12,599	126,102	0	0	138,702
Facilities Acquisition and Construction	4,392	0	0	0	4,392
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	200,000	0	200,000
Interest and Fiscal Agent Fees	0	0	12,855	0	12,855
<i>Total Expenditures Paid</i>	<u>\$ 1,334,548</u>	<u>\$ 196,119</u>	<u>\$ 212,855</u>	<u>\$ 214,464</u>	<u>\$ 1,957,986</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (69,786)</u>	<u>\$ (55,359)</u>	<u>\$ (16,536)</u>	<u>\$ (214,099)</u>	<u>\$ (355,781)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 75</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 595	\$ 0	\$ 0	\$ 0	\$ 595
Bond Proceeds	0	0	0	0	0
Transfers In	0	35,279	0	0	35,279
Transfers Out	(600)	0	0	0	(600)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (5)</u>	<u>\$ 35,279</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,274</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (69,715)</u>	<u>\$ (20,081)</u>	<u>\$ (16,536)</u>	<u>\$ (214,099)</u>	<u>\$ (320,432)</u>
<i>Fund Balance - Beginning of Year</i>	<u>237,005</u>	<u>94,814</u>	<u>206,980</u>	<u>296,192</u>	<u>834,992</u>
<i>Fund Balance - End of Year</i>	<u>\$ 167,290</u>	<u>\$ 74,734</u>	<u>\$ 190,444</u>	<u>\$ 82,093</u>	<u>\$ 514,560</u>

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

Middleberg School District No. C-096, Grady County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2011

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 334,094	\$ 334,094	\$ 342,276	\$ 54,715	\$ 54,715	\$ 67,838	\$ 221,081	\$ 221,081	\$ 196,319
Intermediate Sources	26,650	26,650	30,033	0	0	0	0	0	0
State Sources	684,788	684,788	698,957	16,300	18,113	17,042	0	0	0
Federal Sources	135,572	135,572	190,222	51,000	51,000	55,880	0	0	0
Non-Revenue Receipts	0	0	3,274	0	0	0	0	0	0
Total Revenue Collected	\$ 1,181,105	\$ 1,181,105	\$ 1,264,763	\$ 122,015	\$ 123,828	\$ 140,760	\$ 221,081	\$ 221,081	\$ 196,319
Expenditures Paid:									
Instruction	\$ 922,899	\$ 922,899	\$ 886,199	\$ 0	\$ 0	\$ 1,687	\$ 0	\$ 0	\$ 0
Support Services	475,938	475,938	431,359	117,073	117,073	68,330	0	0	0
Operation of Non-Instructional Services	11,785	11,785	12,599	124,756	126,570	126,102	0	0	0
Facilities Acquisition and Construction	740	740	4,392	0	0	0	0	0	0
Other Outlays	1,270	1,270	0	0	0	0	428,062	428,062	212,855
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	4,478	4,478	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
Total Expenditures Paid	\$ 1,417,110	\$ 1,417,110	\$ 1,334,548	\$ 241,829	\$ 243,643	\$ 196,119	\$ 428,062	\$ 428,062	\$ 212,855
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (236,006)	\$ (236,006)	\$ (69,786)	\$ (119,814)	\$ (119,815)	\$ (55,359)	\$ (206,980)	\$ (206,980)	\$ (16,536)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 75	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 595	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	25,000	25,000	35,279	0	0	0
Transfers Out	(1,000)	(1,000)	(600)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (1,000)	\$ (1,000)	\$ (5)	\$ 25,000	\$ 25,000	\$ 35,279	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (237,005)	\$ (237,005)	\$ (69,715)	\$ (94,814)	\$ (94,815)	\$ (20,081)	\$ (206,980)	\$ (206,980)	\$ (16,536)
Fund Balance - Beginning of Year	237,005	237,005	237,005	94,814	94,814	94,814	206,980	206,980	206,980
Fund Balance - End of Year	\$ 0	\$ 0	\$ 167,290	\$ 0	\$ (0)	\$ 74,734	\$ 0	\$ 0	\$ 190,444

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

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Middleberg Public Schools County District No. 96, Grady County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

1.A. Reporting Entity

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

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

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

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

1.B. Fund Accounting

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

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

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

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

Governmental Fund Types

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

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

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

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

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

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

4. Capital Projects Fund - The Capital Projects Fund consists of the 2006, 2007, 2009 and 2010 Building bond Transportation bond issue. These funds are used exclusively for acquiring transportation equipment, acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

1.B. Fund Accounting, (continued)

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

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

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

1.C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

1.D. Budgets and Budgetary Accounting

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

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

1.E. Assets, Liabilities and Fund Equity

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

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

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

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

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

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

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

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

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

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

1.F. Revenue, Expenses, and Expenditures

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

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

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

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

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Note 2 – Deposit and Investment Risk

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

	<u>Carrying Value</u>		
Deposits:			
Demand Deposits	\$590,933		
Time Deposits - Certificates of Deposit	<u> 0</u>		
Total Deposits	<u>\$590,933</u>		
Investments Other Than Certificates of Deposit:	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
None			

Reconciliation to the Combined Statement of Assets, Liabilities and Equity

Cash and Cash Equivalents	\$588,515
Investments	0
Activity Fund Outstanding Checks	<u>2,418</u>
Total Deposits and Investments	<u>\$590,933</u>

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

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

At June 30, 2011, the District was not exposed to custodial credit risk as defined above.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

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

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

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

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

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 3 - General Long-term Debt

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

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

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	685,000	117,976	0	802,976
Additions	0	65,000	0	65,000
Retirements	200,000	8,458	0	208,458
Balance, June 30, 2011	485,000	174,518	0	659,518

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

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2009 Building Bond	2.10%	June 1, 2012	\$ 430,000	\$ 230,000
2010 Building Bond	1.50%	May 1, 2012	\$ 255,000	\$ 255,000
Totals			\$ 685,000	\$ 485,000

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

	Principal	Interest	Total
2009 Building Bonds			
2011-12	\$ 230,000	\$ 5,232	\$ 235,232
	<u>\$ 230,000</u>	<u>\$ 5,232</u>	<u>\$ 235,232</u>
2010 Building Bond			
2011-12	\$ 255,000	\$ 3,825	\$ 258,825
	<u>\$ 255,000</u>	<u>\$ 3,825</u>	<u>\$ 258,825</u>
Total Bonds	\$ 485,000	\$ 9,057	\$ 494,057

Interest expense on bonds payable incurred during the current year totaled \$12,855.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

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

The District has entered into a lease agreement as lessee for financing the acquisition of real property and classroom building adjacent to the school. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending Jun 30	Classroom Bldg Minimum Lease Payments	Land Minimum Lease Payments	Land 10-11 Minimum Lease Payments	Total
2012	\$ 104,392	\$ 7,110	\$ 8,204	\$ 119,706
2013	\$ 0	\$ 5,930	\$ 8,204	\$ 14,134
2014			\$ 8,204	\$ 8,204
2015			\$ 8,204	\$ 8,204
2016			\$ 8,204	\$ 8,204
2017			\$ 8,204	\$ 8,204
2018			\$ 8,204	\$ 8,204
2019			\$ 8,204	\$ 8,204
2020			\$ 8,204	\$ 8,204
2021			\$ 4,102	\$ 4,102
Total	\$ 104,392	\$ 13,040	\$ 77,938	\$ 195,370
Less: Amount Representing Interest	\$ (4,392)	\$ (949)	\$ (15,511)	\$ (20,852)
Present Value of Future Minimum Lease Payments	\$ <u>100,000</u>	\$ <u>12,091</u>	\$ <u>62,427</u>	\$ <u>174,518</u>

Note 4 - Employee Retirement System

Plan Description - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 4 - Employee Retirement System, (continued)

The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

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

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$65,503, \$68,195, and \$60,774 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$689,486; the District's total compensation was \$1,017,351. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.50% of compensation arising from federal grants (\$440) and 9.50% of compensation arising from post retirement employees (\$3,144). There were \$34,821 contributions made by employees during the year ended June 30, 2011.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2010, is as follows:

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

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Middleberg CSD No. 96, Grady County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 5 - Contingencies

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

Note 6 – Risk Management

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

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The District has surety bonds with The Ohio Casualty Insurance Company that covers the following employees for the following amounts:

Secretary, Minutes Clerk	\$1,000	Bond #1597054
Secretary, Encumbrance Clerk	\$1,000	Bond #1597054
Secretary, Activity Fund	\$2,000	Bond#1597054
Treasurer	\$85,000	Bond #1597054
Assistant Treasurer	\$85,000	Bond #1597054
Superintendent	\$100,000	Bond #1597054

The bonds were in effect in July 1, 1996.

OTHER SUPPLEMENTAL INFORMATION

Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2011</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 66,243	\$ 9,926	\$ 76,169
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 66,243</u>	<u>\$ 9,926</u>	<u>\$ 76,169</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 0	\$ 1,316	\$ 1,316
Reserve for Encumbrances	<u>0</u>	<u>120</u>	<u>120</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 1,436</u>	<u>\$ 1,436</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 66,243</u>	<u>\$ 8,490</u>	<u>\$ 74,734</u>
<i>Total Fund Balance</i>	<u>\$ 66,243</u>	<u>\$ 8,490</u>	<u>\$ 74,734</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 66,243</u>	<u>\$ 9,926</u>	<u>\$ 76,169</u>

Middleberg School District No.C-096, Grady County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2011</u>
Revenue Collected:			
Local Sources	\$ 61,508	\$ 6,330	\$ 67,838
Intermediate Sources	0	0	0
State Sources	5,394	11,648	17,042
Federal Sources	0	55,880	55,880
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 66,902</u>	<u>\$ 73,858</u>	<u>\$ 140,760</u>
Expenditures Paid:			
Instruction	\$ 1,687	\$ 0	\$ 1,687
Support Services	68,330	0	68,330
Operation of Non-Instructional Services	0	126,102	126,102
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid and Bank Charges	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 70,017</u>	<u>\$ 126,102</u>	<u>\$ 196,119</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (3,115)</u>	<u>\$ (52,245)</u>	<u>\$ (55,359)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	35,279	35,279
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 35,279</u>	<u>\$ 35,279</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (3,115)</u>	<u>\$ (16,966)</u>	<u>\$ (20,081)</u>
<i>Fund Balance - Beginning of Year</i>	<u>69,358</u>	<u>25,456</u>	<u>94,814</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 66,243</u></u>	<u><u>\$ 8,490</u></u>	<u><u>\$ 74,734</u></u>

Middleberg School District No. C-096, Grady County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2011

	Building Fund		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 47,715	\$ 47,715	\$ 61,508
Intermediate Sources	0	0	0
State Sources	0	0	5,394
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
Total Revenue Collected	\$ 47,715	\$ 47,715	\$ 66,902
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 1,687
Support Services	117,073	117,073	68,330
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
Total Expenditures Paid	\$ 117,073	\$ 117,073	\$ 70,017
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (69,358)	\$ (69,358)	\$ (3,115)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (69,358)	\$ (69,358)	\$ (3,115)
Fund Balance - Beginning of Year	69,358	69,358	69,358
Fund Balance - End of Year	\$ 0	\$ 0	\$ 66,243

Exhibit A-3

	Child Nutrition Fund		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 7,000	\$ 7,000	\$ 6,330
Intermediate Sources	0	0	0
State Sources	16,300	18,113	11,648
Federal Sources	51,000	51,000	55,880
Non-Revenue Receipts	0	0	0
Total Revenue Collected	\$ 74,300	\$ 76,113	\$ 73,858
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	0	0	0
Operation of Non-Instructional Services	124,756	126,570	126,102
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
Total Expenditures Paid	\$ 124,756	\$ 126,570	\$ 126,102
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (50,456)	\$ (50,457)	\$ (52,245)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	25,000	25,000	35,279
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	\$ 25,000	\$ 25,000	\$ 35,279
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (25,456)	\$ (25,457)	\$ (16,966)
Fund Balance - Beginning of Year	25,456	25,456	25,456
Fund Balance - End of Year	\$ 0	\$ (0)	\$ 8,490

	Total		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 54,715	\$ 54,715	\$ 67,838
Intermediate Sources	0	0	0
State Sources	16,300	18,113	17,042
Federal Sources	51,000	51,000	55,880
Non-Revenue Receipts	0	0	0
Total Revenue Collected	\$ 122,015	\$ 123,828	\$ 140,760
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 1,687
Support Services	117,073	117,073	68,330
Operation of Non-Instructional Services	124,756	126,570	126,102
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
Total Expenditures Paid	\$ 241,829	\$ 243,643	\$ 196,119
Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances	\$ (119,814)	\$ (119,815)	\$ (55,359)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):			
Estopped Warrants	\$ 0	\$ 0	\$ 0
Transfers In	25,000	25,000	35,279
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	\$ 25,000	\$ 25,000	\$ 35,279
Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)	\$ (94,814)	\$ (94,815)	\$ (20,081)
Fund Balance - Beginning of Year	94,814	94,814	94,814
Fund Balance - End of Year	\$ 0	\$ (0)	\$ 74,734

Middleberg School District No.C-096, Grady County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2011

<u>ASSETS</u>	School Activity Fund
Cash	\$ 26,967
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 26,967</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>26,967</u>
<i>Total Liabilities</i>	\$ <u>26,967</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 26,967</u>

Middleberg School District No.C-096, Grady County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

<u>ACTIVITIES</u>	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
School Activity Prog	\$ 803	\$ 0	\$ 0	\$ 803
Misc Fund	11,285	41,266	33,992	18,559
Athletic Fund	3,470	17,244	20,035	679
Petty Cash	0	600	600	0
Cheerleading	1,353	4,394	4,512	1,235
Lunch Fund	0	35,354	35,354	0
Library	3,224	3,743	3,717	3,250
8th Grade	94	6,109	6,071	131
Softball	0	8,882	6,573	2,309
Student Council	0	219	219	0
Total Activities	\$ 20,229	\$ 117,812	\$ 111,074	\$ 26,967

Exhibit A-5

OTHER INFORMATION

MIDDLEBERG SCHOOL DISTRICT #C-96
 GRADY COUNTY - OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/10 TO 06/30/11

EXHIBIT B-1

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR' NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 01, 2010	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2011
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U.S. Department of Education -

Direct Programs -

Title VI Small Rural School	84.358A	588	\$38,955.08	\$9,918.00	\$31,550.11	\$21,632.11	\$0.00
Title VII Indian Education	84.060	561	\$5,053.00	0.00	5,053.00	5,053.00	0.00

Passed Through State Department of Education -

Title I, Basic	84.010	511	\$40,086.54	0.00	39,684.97	39,684.97	0.00
ARRA Title I	84.389	516	\$7,854.01	0.00	7,854.01	7,854.01	0.00
Title I Cluster				0.00	47,538.98	47,538.98	0.00

IDEA-B Flow Through	84.027	621	\$36,807.11	0.00	36,807.11	36,807.11	0.00
IDEA-B Preschool	84.173	641	\$906.84	0.00	906.84	906.84	0.00
Special Education Cluster				0.00	37,713.95	37,713.95	0.00

ARRA Stabilization Fund	84.394	782	\$43,652.00	0.00	43,652.00	43,652.00	0.00
ARRA Education Jobs Fund	84.410	790	\$36,900.00	0.00	0.00	0.00	0.00
ARRA Stabilization Cluster				0.00	43,652.00	43,652.00	0.00

Title II, Part A	84.367	541	\$7,672.50	0.00	7,672.50	7,672.50	0.00
Title II, Part D	84.318	546/548	\$133.53	0.00	133.53	133.53	0.00
Title IV, Part A	84.186	551	\$811.04	0.00	811.04	811.04	0.00

Federal Emergency Management Agency -

Passed Through State Department of Emergency Management -

FEMA	83.534	594	\$16,018.39	0.00	16,018.39	16,018.39	0.00
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MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALLOCATIONS & EXPENDITURES
07/01/10 TO 06/30/11

EXHIBIT B-1
PAGE 2

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR' NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 01, 2010	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2011
U.S. Department of Agriculture -							
Passed Through State Department of Education -							
Child Nutrition Cluster:							
Non-Cash Assistance(Commodities):							
National School Lunch Program	10.555	385	\$4,293.30	0.00	4,293.30	4,293.30	0.00
Cash Assistance:							
National School Lunch Program	10.555	385	\$33,223.03	0.00	33,223.03	33,223.03	0.00
School Breakfast Program	10.553	385	\$22,657.08	0.00	22,657.08	22,657.08	0.00
Total Cash Assistance				0.00	55,880.11	55,880.11	0.00
Total Food Program (Cluster)							
				0.00	60,173.41	60,173.41	0.00
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$9,918.00	\$234,298.52	\$224,380.52	\$0.00

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

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

NOTE 3: The amount shown as expended in the Child Nutrition Cluster for Commodities represents the value of the food commodities received.

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

MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

EXHIBIT C-1

STATE OF OKLAHOMA)
)
COUNTY OF GRADY)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Middleberg School District #C-96, Grady County, Oklahoma, for the audit year 2010-11.

Chas. W. Carroll, P.A.
Auditing Firm

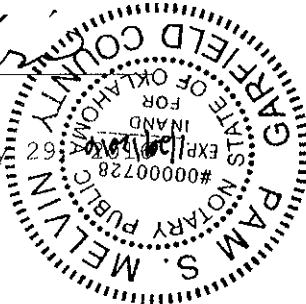
By:

Charles W. Carroll

Subscribed and sworn to before me this 13th day of February, 2012.

Pam S. Melvin
Notary Public

My Commission Expires January 29, 2011



Chas. W. Carroll, P.A.

The Broadway Tower - Suite 805
114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

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

The Honorable Board of Education
Middleberg School District #C-96
Grady County, Oklahoma

Board Members:

I have audited the accompanying fund type and account group financial statements of the Middleberg School District #C-96, Grady County, Oklahoma, as listed in the Table of Contents as combined financial statements as of and for the year ended June 30, 2011, and have issued my report thereon dated February 13, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to general fixed assets. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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, non-compliance 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as items B-1, B-2, B-3, B-4, B-5 and B-6.

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. I did not audit the District's response and, accordingly I express no opinion on it.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.


Chas. W. Carroll, P.A.
February 13, 2012

MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2011

There were no reportable conditions noted in the 2009-2010 fiscal year.

MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF FINDINGS
JUNE 30, 2011

Section 1 - Summary of Auditor's Results

No reportable conditions, either material or immaterial, were noted or brought to my attention during the 2010-11 fiscal year.

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS

Specific Administrative Controls

Internal Control

B-1 Invoice Documentation

During my audit of the District's internal control procedures, I found that in some cases not all invoices and/or packing slips were signed by an authorized person when supplies or materials were received. All district funds, including Activity Funds, are to have properly documented invoices and/or packing slips attached to each purchase order or requisition and either the invoice or packing slip must be signed by an authorized person to insure that materials and services ordered have been received.

The school district administration should establish procedures to insure that all invoices for goods or services are signed as required by 62 O.S., Paragraph 310.1(A).

A similar exception was presented in the previous years audit report.

B-2 Purchasing Procedures

The expenditures and purchasing procedures tested for District and Activity Funds during my examination did not, in some instances, have a purchase order dated prior to the purchase date. In some instances the invoice was not always dated, signed, itemized or attached to the requisition or purchase order.

The Alternate System of Accounting prescribed by Oklahoma Statutes states the purchasing agent approves requisitions. Upon approval the encumbrance clerk is to verify appropriation accounts for adequate balances and the Activity Fund Custodian is to verify that funds are available and that the expenditure is within the allowable expenditures approved for that sub-account. After approval the obligation may be made.

I recommend the District Administration inform all District employees as to the requirement of approval before obligation.

B-3 Sworn Statement on Invoices

During my audit of the District's expenditures I found where an architect had been paid for services associated with a construction project. The payment exceeded Twenty-five thousand dollars (\$25,000.00).

I was unable to find the required affidavit attesting to the correctness of the contract and that no exchange had been made to obtain the contract.

I recommend that any obligation in the amount of "Twenty-five thousand dollars (\$25,000.00) or more to an architect, contractor, engineer or supplier of construction materials be supported by said affidavit prior to making payment.

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS

Specific Administrative Controls

Internal Control (continued)

B-4 Employee Contracts/Extra Duty Compensation

During my review of the Districts payroll procedures, I found where several employees had been compensated for services not identified on the employee contracts.

As additional compensations for extra duty services which are performed during an employee's regular contract period are approved, individual contracts should be amended or extra duty contracts should be created to support such payments.

B-5 Petty Cash Expenditures

Some expenditures were made from the school Activity Fund Petty Cash sub-account in excess of \$75.00.

Title 70 O.S., Section 5-129 © states "The Board of Education may establish a Petty Cash account...; provided, no single expenditure from the Petty Cash account shall be made in excess of seventy-five dollars (\$75.00),..."

I recommend the District's school Activity Fund Custodian comply with all requirements of the above-cited Oklahoma Statute and the State Board of Education regulations.

B-6 Activity Fund Countersignatures

During my testing the District's Activity Fund expenditures I found where some checks issued from the school's Activity Fund had been processed containing only one signature.

Oklahoma Statutes require that "disbursements made from a school Activity Fund shall be by check countersigned...". Even though an authorized signature was on each check, a second or confirming authorized signature must be obtained.

MIDDLEBERG SCHOOL DISTRICT #C-96
GRADY COUNTY - OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".