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

**MOSS SCHOOL DISTRICT NO. I-1,
HUGHES COUNTY, OKLAHOMA**

JUNE 30, 2011

Audited by

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page No.</u>
Table of Contents	1-2
School District Officials	3
Independent Auditor's Report	4-5
 <u>COMBINED FINANCIAL STATEMENTS:</u>	
Combined Statement of Assets, Liabilities and Fund Equity – Regulatory Basis - All Fund Types and Account Groups	6
Combined Statement of Revenues, Expenditures, and Changes in Cash Fund Balances – Regulatory Basis - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Governmental Fund Types	8-10
Notes to Combined Financial Statements	11-26
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
 <u>COMBINING FINANCIAL STATEMENTS:</u>	
Combining Statement of Assets, Liabilities and Fund Equity - All Special Revenue Funds	27
Combining Statement of Revenues, Expenditures and Changes in Cash Fund Balances – All Special Revenue Funds	28
Combining Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Special Revenue Fund Types	29

**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
JUNE 30, 2011**

TABLE OF CONTENTS

Page No.

OTHER SUPPLEMENTARY INFORMATION:

COMBINING FINANCIAL STATEMENTS (contd):

Combining Statement of Assets and Liabilities – Regulatory Basis - All Fiduciary Fund Types	30
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - All Agency Funds	31
Schedule of Expenditures of Federal Awards	32-33
Schedule of Surety Bonds	34

Internal Control and Compliance Reports

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Schedule of Findings	37
Disposition of Prior Year's Schedule of Findings	38
Schedule of Accountant's Professional Liability Insurance Affidavit	39
Audit Acknowledgement	40

**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

BOARD OF EDUCATION

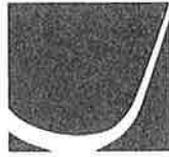
President	Randy Fletcher
Vice-President	Scott Price
Clerk	John Welch
Member	Jason Moody
Member	Richard Rambo

SUPERINTENDENT OF SCHOOLS

John Long

MINUTES CLERK &
SCHOOL DISTRICT TREASURER

Leslie Lee



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Moss School District No. I-1
Holdenville, Oklahoma 74848

I have audited the accompanying regulatory basis financial statements of Moss School District No. I-1, Holdenville, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed 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.

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

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Moss School District No. I-1, Holdenville, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group 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 Moss School District No. I-1, Holdenville, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 11, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Moss School District No. I-1's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



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

September 11, 2011

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**

JUNE 30, 2011

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>		<u>ACCOUNT GROUP</u>		<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	<u>GENERAL</u>	<u>LONG-TERM DEBT</u>	<u>2011</u>	<u>2010</u>
Cash	\$ 541,105	171,647	208,839	32,927			954,518	910,485
Investments								-
Amounts available in debt service					8,316		8,316	18,589
Amounts to be provided for retirement of general long-term debt			208,839	32,927	2,160,523		2,160,523	2,397,411
Total Assets	<u>541,105</u>	<u>171,647</u>	<u>208,839</u>	<u>32,927</u>	<u>2,168,839</u>		<u>3,123,357</u>	<u>3,326,485</u>

LIABILITIES AND FUND EQUITY

Liabilities								
Warrants payable	234,820	49,694					284,514	140,687
Funds held for school organizations				32,927			32,927	30,513
Unmatured obligations			200,523				200,523	227,791
Long-term debt:								
Bonds payable					1,935,000		1,935,000	2,210,000
Capital leases					233,839		233,839	206,000
Total liabilities	<u>234,820</u>	<u>49,694</u>	<u>200,523</u>	<u>32,927</u>	<u>2,168,839</u>		<u>2,686,803</u>	<u>2,814,991</u>
Fund Equity								
Cash fund balances	<u>306,285</u>	<u>121,953</u>	<u>8,316</u>				<u>436,554</u>	<u>511,494</u>
Total Liabilities and Fund Equity	<u>\$ 541,105</u>	<u>171,647</u>	<u>208,839</u>	<u>32,927</u>	<u>2,168,839</u>		<u>3,123,357</u>	<u>3,326,485</u>

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

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

	GOVERNMENTAL FUND TYPES			TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	2011	(Memorandum Only) 2010
Revenues					
Local sources	\$ 855,194	150,733	306,947	1,312,874	1,547,706
Intermediate sources	70,405			70,405	62,646
State sources	817,470	2,673		820,143	609,604
Federal sources	277,304	119,047		396,351	481,168
Non-revenue receipts	1,736			1,736	
Total revenues	<u>2,022,109</u>	<u>272,453</u>	<u>306,947</u>	<u>2,601,509</u>	<u>2,701,124</u>
Expenditures					
Instruction	1,065,711			1,065,711	1,088,429
Support services	947,169	121,025		1,068,194	1,064,810
Operation of non-instructional services	64,364	68,994		133,358	171,892
Facilities, acquisition and const. services	1,015	41,571		42,586	1,315,923
Other outlays	1,735	47,534		49,269	
Debt service			317,220	317,220	329,331
Total expenditures	<u>2,079,994</u>	<u>279,124</u>	<u>317,220</u>	<u>2,676,338</u>	<u>3,970,385</u>
Revenues over (under) expenditures	(57,885)	(6,671)	(10,273)	(74,829)	(1,269,261)
Other financing sources (uses)					412
Estopped warrants	(43)	(68)		(111)	(27)
Bank charges	(43)	(68)		(111)	385
Total other financing sources (uses)					
Revenue and other sources over (under) expenditures and other uses	(57,928)	(6,739)	(10,273)	(74,940)	(1,268,876)
Cash fund balance, beginning of year	364,213	128,692	18,589	511,494	1,780,370
Cash fund balance, end of year	\$ 306,285	121,953	8,316	436,554	511,494

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

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

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 707,450	707,450	855,194
Intermediate sources	56,775	56,775	70,405
State sources	612,454	749,878	817,470
Federal sources	177,937	297,770	277,304
Non-revenue receipts			1,736
Total revenues	<u>1,554,616</u>	<u>1,811,873</u>	<u>2,022,109</u>
Expenditures			
Instruction	904,545	1,161,802	1,065,711
Support services	947,169	947,169	947,169
Operation of non-instructional services	64,364	64,364	64,364
Facilities, acquisition and const. services	1,015	1,015	1,015
Other outlays	1,736	1,736	1,735
Total expenditures	<u>1,918,829</u>	<u>2,176,086</u>	<u>2,079,994</u>
Revenues over (under) expenditures	(364,213)	(364,213)	(57,885)
Other financing sources (uses)			
Bank charges			(43)
Total other financing sources (uses)			<u>(43)</u>
Revenue and other sources over (under) expenditures and other uses	(364,213)	(364,213)	(57,928)
Cash fund balance, beginning of year	<u>364,213</u>	<u>364,213</u>	<u>364,213</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>306,285</u>

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

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

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 137,830	137,830	150,733
State sources	2,143	2,143	2,673
Federal sources	93,975	93,975	119,047
Total revenues	<u>233,948</u>	<u>233,948</u>	<u>272,453</u>
Expenditures			
Support services	143,585	143,585	121,025
Operation of non-instructional services	81,302	81,302	68,994
Facilities acquisitions and construction	44,544	44,544	41,571
Other outlays	93,209	93,209	47,534
Total expenditures	<u>362,640</u>	<u>362,640</u>	<u>279,124</u>
Revenues over (under) expenditures	(128,692)	(128,692)	(6,671)
Other financing sources (uses)			
Bank charges			(68)
Total other financing sources (uses)			<u>(68)</u>
Revenue and other sources over (under) expenditures and other uses	(128,692)	(128,692)	(6,739)
Cash fund balance, beginning of year	<u>128,692</u>	<u>128,692</u>	<u>128,692</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>121,953</u>

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

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

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 298,631	298,631	306,947
Expenditures			
Other outlays			
Debt service	317,220	317,220	317,220
Revenues over (under) expenditures	(18,589)	(18,589)	(10,273)
Cash fund balance, beginning of year	18,589	18,589	18,589
Cash fund balance, end of year	\$ -	-	8,316

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-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The basic financial statements of the Moss Public Schools, District No. I-1 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

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

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for

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

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

B. Fund Accounting - contd.

school facilities, for purchasing security systems, and for paying salaries of security personnel.

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

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

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

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District closed this fund during the 2010-11 fiscal year.

Proprietary Fund Types

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

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

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

B. Fund Accounting - contd.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

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

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

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

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

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

Account Group

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

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

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

B. *Fund Accounting* - contd.

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

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

Memorandum Only - Total Column

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

C. *Basis of Accounting and Presentation*

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

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

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

C. Basis of Accounting and Presentation – contd.

- 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 requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

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

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

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

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies;

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

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

E. Assets, Liabilities and Fund Equity – contd.

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-regulatory basis.

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

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

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

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

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

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

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

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

E. Assets, Liabilities and Fund Equity- contd.

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

F. Revenue and Expenditures

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

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty 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 interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

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

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

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

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

F. Revenue and Expenditures- contd.

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

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

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

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

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

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

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

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

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

F. Revenue and Expenditures - contd.

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 improvement to sites.

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

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

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

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

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

F. Revenue and Expenditures - contd.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There was an operating transfer of \$486 made during the 2010-11 fiscal year from the general fund to the child nutrition fund for reimbursement of cafeteria labor costs.

2. **Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$955,002 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.

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

2. Deposits and Investments – cont'd

- d. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no investments held at June 30, 2011.

3. General Long-term Debt

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

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

The District has entered into lease agreements as lessee for financing the acquisition of equipment and a bus. The lease agreements qualify as capital leases for accounting purposes, since titles transfer at the end of the lease terms. The leases contain a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The properties and equipment are collateral for the leases.

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

	Bonds <u>Payable</u>	Capital <u>Leases</u>	<u>Totals</u>
Balance, July 1, 2010	\$ 2,210,000	206,000	2,416,000
Additions	0	102,715	102,715
Retirements	<u>275,000</u>	<u>74,876</u>	<u>349,876</u>
Balance, June 30, 2011	<u>\$ 1,935,000</u>	<u>233,839</u>	<u>2,168,839</u>

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

3. **General Long-term Debt** – contd.

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Combined Purpose Bonds, Series 2008, original issue \$2,485,000, interest rate of 2.8-4.5%, due in an initial installment of \$275,000 on June 1, 2011, annual installments thereafter of \$275,000, final payment of \$285,000 due June 1, 2018;	\$ 1,935,000
<u>Capital Leases</u>	
First United Bank for an Ag Truck, totaling \$30,707, dated November 10, 2009, interest rate of 4.75%, due in annual principal and interest installments of \$11,359 beginning February 15, 2011, final payment due February 15, 2013;	21,194
Blue Bird Financing for a 2011 bus, totaling \$72,008, dated November 17, 2010, interest rate of 3.6%, due in annual principal and interest installments of \$25,277 beginning April 17, 2011, final payment due April 17, 2013;	47,845
Qualified Zone Academy Bonds for equipment, totaling \$412,000, dated February 17, 2005, interest rate of 1.80%, due in annual principal and interest installments of \$48,616 beginning February 16, 2006, final payment due February 17, 2015;	<u>164,800</u>
Total	\$ <u>2,168,839</u>

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

3. General Long-term Debt – contd.

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	275,000	60,275	335,275
2013	275,000	52,575	327,575
2014	275,000	44,462	319,462
2015	275,000	35,938	310,938
2016	275,000	27,138	302,138
Thereafter	<u>560,000</u>	<u>27,462</u>	<u>587,462</u>
Totals	<u>\$ 1,935,000</u>	<u>247,850</u>	<u>2,182,850</u>

There was \$79,864 interest paid on general long-term debt incurred during the current year.

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	75,034	10,218	85,252
2013	76,405	8,847	85,252
2014	41,200	7,416	48,616
2015	<u>41,200</u>	<u>7,416</u>	<u>48,616</u>
Total	<u>\$ 233,839</u>	<u>33,897</u>	<u>267,736</u>

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-238.

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

4. Employee Retirement System - contd.

Basis of Accounting

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

Funding Policy

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

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$113,352, \$116,440, and \$115,860 respectively.

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

4. Employee Retirement System - contd.

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

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

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

5. Contingencies

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

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

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

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
Cash	\$ 61,645	110,002	171,647	134,637
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	2,025	47,669	49,694	5,945
 Fund Equity				
Cash fund balances	59,620	62,333	121,953	128,692
Total Liabilities and Fund Equity	\$ 61,645	110,002	171,647	134,637

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2011

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2011	2010
Revenues				
Local sources	\$ 112,506	38,227	150,733	183,754
State sources		2,673	2,673	2,256
Federal sources	24,519	94,528	119,047	148,395
Total revenues	<u>137,025</u>	<u>135,428</u>	<u>272,453</u>	<u>334,405</u>
Expenditures				
Support services	121,025		121,025	184,448
Operation of non-instructional services		68,994	68,994	86,629
Facilities, acquisition and const. services	41,571		41,571	87,772
Other outlays		47,534	47,534	
Total expenditures	<u>162,596</u>	<u>116,528</u>	<u>279,124</u>	<u>358,849</u>
Revenues over (under) expenditures	(25,571)	18,900	(6,671)	(24,444)
Other financing sources (uses)				
Operating transfers in (out)				(50,896)
Estopped warrants				237
Bank charges		(68)	(68)	
Total other financing sources (uses)	<u>-</u>	<u>(68)</u>	<u>(68)</u>	<u>(50,659)</u>
Revenue and other sources over (under) expenditures and other uses	(25,571)	18,832	(6,739)	(75,103)
Cash fund balance, beginning of year	<u>85,191</u>	<u>43,501</u>	<u>128,692</u>	<u>203,795</u>
Cash fund balance, end of year	<u>\$ 59,620</u>	<u>62,333</u>	<u>121,953</u>	<u>128,692</u>

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

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 102,938	102,938	112,506	\$ 34,892	34,892	38,227
State sources				2,143	2,143	2,673
Federal sources			24,519	93,975	93,975	94,528
Total revenues	102,938	102,938	137,025	131,010	131,010	135,428
Expenditures						
Support services	143,585	143,585	121,025	81,302	81,302	68,994
Operation of non-instructional services						
Facilities acquisitions and construction	44,544	44,544	41,571	93,209	93,209	47,602
Other outlays				174,511	174,511	116,596
Total expenditures	188,129	188,129	162,596	(43,501)	(43,501)	18,832
Revenues over (under) expenditures	(85,191)	(85,191)	(25,571)	43,501	43,501	43,501
Cash fund balance, beginning of year	85,191	85,191	85,191			
Cash fund balance, end of year	\$ -	-	59,620	\$ -	-	62,333

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

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2011	2010
<u>ASSETS</u>		
Cash	\$ 32,927	30,513
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 32,927	30,513

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

<u>Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Athletics	\$ 8,702	92,894	2,603	93,391	10,808
Annual	1,792	811		2,020	583
FFA	1,757	45,575	901	44,350	3,883
FCA	150	1,436		1,051	535
Scholarship	-	600		600	-
Miscellaneous	94	440	483	653	364
Flowers	-	80		53	27
Junior-Senior	524	3,381	312	3,298	919
Cheerleader	30	5,871	(39)	5,523	339
Clearing	-	11		-	11
4-H	1,315	8,777	504	8,789	1,807
Library	3,974	3,202		3,387	3,789
Teachers Fund	6,981	31,387	440	33,437	5,371
Interest	-	556	(527)	-	29
Senior	3,751	22,565	965	24,838	2,443
Student Council	234	792	(80)	709	237
Counselor	81	300		60	321
JOM	935	20	(20)	-	935
Science	193	1,653	(1,248)	177	421
Cafe	-	103		-	103
Special Ed	-	355		353	2
TOTAL ASSETS - AGENCY FUNDS	<u>30,513</u>	<u>220,809</u>	<u>4,294</u>	<u>222,689</u>	<u>32,927</u>
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	<u>\$ 30,513</u>	<u>220,809</u>	<u>4,294</u>	<u>222,689</u>	<u>32,927</u>

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII Impact Aid	84.041	S041B114102	82,995		82,995		(6,975)
Title VII-Part A, Indian Education	84.060	S060A100374	23,863		16,888	23,863	(19,214)
Title VI Small, Rural School Ach. Program	84.358	S358A103075	25,341	(13,338)	6,387	25,601	
Title VI Small, Rural School Ach. Program 2009-10 - Note	84.358	S060A093075	132,199	(13,338)	119,608	132,459	(26,189)
Subtotal							
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		55,389		36,689	55,389	(18,700)
ARRA Title I-Part A 2009-10 - Note 1	84.389			(270)	270		
Special Education, Flowthrough, P.L. 105-17	84.027		56,824		41,863	56,823	(14,960)
Special Education, Flowthrough 2009-10 - Note 1	84.027			(24,134)	24,134		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		2,042		9,696	2,013	(2,013)
Title II-Part A, Teacher & Principal Training	84.367		13,365		4,523	13,365	(3,669)
Title II-Part A 2009-10 - Note 1	84.367			(4,523)	184		
Title II-Part D, Enh. Educ. Through Tech.	84.318		61,356		61,356	184	
ARRA -Foundation and Salary Incentive Aid	84.394		189,160	(28,927)	178,715	189,130	(39,342)
Subtotal							
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				8,361	8,361	
Non-Cash Assistance Subtotal					8,361	8,361	

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
Cash Assistance:							
National School Lunch Program	10.555				67,116	67,116	
School Breakfast Program	10.553				27,412	27,412	
<i>Cash Assistance Subtotal</i>				-	94,528	94,528	-
<i>Total For Program (Cluster)</i>				-	102,889	102,889	-
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		\$ 3,720	(3,500)	3,500	3,720	(3,720)
Johnson O'Malley 2009-10 - Note 1	15.130			(3,500)	3,500	3,720	(3,720)
Subtotal					3,500	3,720	(3,720)
Total Federal Assistance			325,079	(45,765)	404,712	428,198	(69,251)

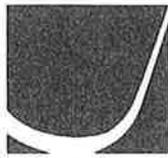
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$8,361 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

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

**INDEPENDENT SCHOOL DISTRICT I-1, HUGHES COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Treasurer	70751050	\$100,000	7/1/10-7/1/11
	Superintendent	70334205	\$100,000	7/1/10-7/1/11
	Encumbrance Clerk	70751087	\$1,000	7/1/10-7/1/11
	Minutes Clerk	13368769	\$1,000	7/1/10-7/1/11
	Activity Fund	13447014	\$1,000	7/1/10-7/1/11



Jack H. Jenkins, CPA *A Professional Corporation*

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

The Honorable Board of Education
Moss School District No. I-1
Holdenville, Oklahoma 74848

I have audited the regulatory basis financial statements of Moss School District No. I-1, Holdenville, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated September 11, 2011. . The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

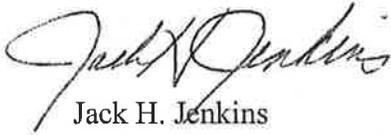
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



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

September 11, 2011

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2010 TO JUNE 30, 2011**

Findings – Financial Statement Audit

None

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

Signed as Received

The discrepancy concerning several invoices not being signed or initialed, to verify the goods or services were received, was corrected in the current fiscal year.

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

State of Oklahoma)
County of Tulsa)

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

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

BY *Jack H. Jenkins*
AUTHORIZED AGENT

Subscribed and sworn to before me on this
12 day of, Sept, 2011

Karla Jenkins
NOTARY PUBLIC



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

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

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

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

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

John Ruff
Superintendent of Schools

9-12-2011
Date of Board Meeting

Randy Fletcher
Board of Education President

[Signature]
Board of Education Clerk

Scott Puce
Board of Education Vice President

Richard Rombo
Board of Education Member

Jana Moody
Board of Education Member

Subscribed and sworn to before me on this 12 day of September, 2011.
My commission expires on 10th day of September, 2015.

Leslie Lee
Notary Public

