

MOUNTAIN VIEW INDEPENDENT SCHOOL DISTRICT NO. 3

KIOWA COUNTY, OKLAHOMA

JUNE 30, 2011

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MOUNTAIN VIEW-GOTEBE INDEPENDENT SCHOOL DISTRICT NO. I-3, KIOWA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011

BOARD OF EDUCATION

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SCHOOL DISTRICT TREASURER

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Mountain View-Gotebo Independent School District #3
Kiowa County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2011, as listed in the table of contents as combined financial statements,. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Mountain View-Gotebo Independent School District #3**, Kiowa County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount 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 our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma, as of June 30, 2011, or the changes in its financial position, for the year then ended.

In our 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 in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Mountain View-Gotebo School District, No 3**, Kiowa County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District as a whole. The combining fund statements and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and is also not a required part of the combined financial statements of **Mountain View-Gotebo Independent School District #3**, Kiowa County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 21, 2011

COMBINED FINANCIAL STATEMENTS

Mountain View-Gotebo School District No.I-003, Kiowa 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	General Long- Term Debt	June 30, 2011
ASSETS							
Cash and Cash Equivalents	\$ 290,476	\$ 151,779	\$ 0	\$ 0	\$ 74,787	\$ 0	\$ 517,042
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	0	0
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	0	0
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	0	0
<i>Total Assets</i>	<u>\$ 290,476</u>	<u>\$ 151,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,787</u>	<u>\$ 0</u>	<u>\$ 517,042</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Warrants Payable	\$ 138,339	\$ 19,939	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,278
Reserve for Encumbrances	5,431	7,555	0	0	0	0	12,986
Due to Activity Groups	0	0	0	0	74,787	0	74,787
General Obligation Bonds Payable	0	0	0	0	0	0	0
Capitalized Lease Obligations Payable	0	0	0	0	0	0	0
<i>Total Liabilities</i>	<u>\$ 143,770</u>	<u>\$ 27,494</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,787</u>	<u>\$ 0</u>	<u>\$ 246,051</u>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for Capital Projects	0	0	0	0	0	0	0
Cash Fund Balance	146,705	124,285	0	0	0	0	270,990
<i>Total Fund Equity</i>	<u>\$ 146,705</u>	<u>\$ 124,285</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 270,990</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 290,476</u>	<u>\$ 151,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,787</u>	<u>\$ 0</u>	<u>\$ 517,042</u>

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

Mountain View-Gotebo School District No.1-003, Kiowa 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	\$ 684,622	\$ 194,355	\$ 0	\$ 0	\$ 878,977
Intermediate Sources	48,397	0	0	0	48,397
State Sources	915,869	27,636	0	0	943,505
Federal Sources	312,725	90,064	0	0	402,789
Non-Revenue Receipts	16,077	0	0	0	16,077
<i>Total Revenue Collected</i>	<i>\$ 1,977,690</i>	<i>\$ 312,055</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 2,289,745</i>
Expenditures Paid:					
Instruction	\$ 1,470,619	\$ 0	\$ 0	\$ 0	\$ 1,470,619
Support Services	691,607	299,870	0	0	991,477
Operation of Non-Instructional Services	11,896	160,096	0	0	171,991
Facilities Acquisition and Construction	0	0	0	0	0
Other Outlays	0	0	0	0	0
Other Uses	0	0	0	0	0
Repayments	139	0	0	0	139
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Agent Fees	0	0	0	0	0
<i>Total Expenditures Paid</i>	<i>\$ 2,174,260</i>	<i>\$ 459,966</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 2,634,226</i>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<i>\$ (196,570)</i>	<i>\$ (147,911)</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ (344,481)</i>
Adjustments to Prior Year Encumbrances	\$ 3,260	\$ 0	\$ 0	\$ 0	\$ 3,260
Other Financing Sources (Uses):					
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(200)	0	0	0	(200)
<i>Total Other Financing Sources (Uses)</i>	<i>\$ (200)</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ (200)</i>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<i>\$ (193,510)</i>	<i>\$ (147,911)</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ (341,422)</i>
<i>Fund Balance - Beginning of Year</i>	<i>340,216</i>	<i>272,196</i>	<i>0</i>	<i>0</i>	<i>612,412</i>
<i>Fund Balance - End of Year</i>	<i>\$ 146,705</i>	<i>\$ 124,285</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 270,990</i>

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

Mountain View-Gotebo School District No.1-003, Kiowa 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	\$ 854,123	\$ 854,123	\$ 684,622	\$ 149,108	\$ 149,108	\$ 194,355	\$ 0	\$ 0	\$ 0
Intermediate Sources	40,500	40,500	48,397	0	0	0	0	0	0
State Sources	814,737	814,737	915,869	1,500	1,500	27,636	0	0	0
Federal Sources	214,116	214,116	312,725	76,000	90,063	90,064	0	0	0
Non-Revenue Receipts	0	0	16,077	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,923,476</u>	<u>\$ 1,923,476</u>	<u>\$ 1,977,690</u>	<u>\$ 226,608</u>	<u>\$ 240,671</u>	<u>\$ 312,055</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures Paid:									
Instruction	\$ 1,634,645	\$ 1,634,645	\$ 1,470,619	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	604,695	604,695	691,607	338,708	338,708	299,870	0	0	0
Operation of Non-Instructional Services	23,851	23,851	11,896	145,097	159,160	160,096	0	0	0
Facilities Acquisition and Construction	0	0	0	15,000	15,000	0	0	0	0
Other Outlays	500	500	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	139	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,263,692</u>	<u>\$ 2,263,692</u>	<u>\$ 2,174,260</u>	<u>\$ 498,804</u>	<u>\$ 512,867</u>	<u>\$ 459,966</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess of Revenues Collected Over (Under)</i> <i>Expenditures Paid Before Adjustments to</i> <i>Prior Year Encumbrances</i>	<u>\$ (340,216)</u>	<u>\$ (340,216)</u>	<u>\$ (196,570)</u>	<u>\$ (272,196)</u>	<u>\$ (272,196)</u>	<u>\$ (147,911)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,260</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	(200)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (200)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i> <i>Over Expenditures Paid and Other Financing</i> <i>Sources (Uses)</i>	<u>\$ (340,216)</u>	<u>\$ (340,216)</u>	<u>\$ (193,510)</u>	<u>\$ (272,196)</u>	<u>\$ (272,196)</u>	<u>\$ (147,911)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Fund Balance - Beginning of Year</i>	<u>340,216</u>	<u>340,216</u>	<u>340,216</u>	<u>272,196</u>	<u>272,196</u>	<u>272,196</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 146,705</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,285</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Mountain View-Gotebo ISD No. 3, Kiowa 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 Mountain View-Gotebo Public Schools Independent District No. 95, 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."

Mountain View-Gotebo ISD No. 3, Kiowa 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 and Child Nutrition 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. Currently the District does not have any general long-term debt.

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.

Mountain View-Gotebo ISD No. 3, Kiowa 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.
- Long-term debt is recorded when incurred.

Mountain View-Gotebo ISD No. 3, Kiowa 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)

- 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.

Mountain View-Gotebo ISD No. 3, Kiowa 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)

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.

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 been reported in the general long-term debt account group.

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

Mountain View-Gotebo ISD No. 3, Kiowa 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)

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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Note 2 – Deposit and Investment Risk

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

		Carrying Value
Deposits		
Demand Deposits	\$	522,689
Time Deposits		0
Total Deposits	\$	522,689
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		Fair Value
		\$ 0
Total Investments		\$ 0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	517,042
Activity Fund Outstanding Checks		5,647
Total Deposits and Investments	\$	522,689

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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

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.

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. 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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

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.

Note 3 - 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. 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 \$130,271, \$134,217, and \$131,224 respectively.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 3 - Employee Retirement System, (Continued)

The compensation for employees covered by the System for the year ended June 30, 2011 was \$1,348,162; the District's total compensation was \$1,550,166. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$5,427) and 9.50% of compensation arising from post retirement employees (\$5,375). There were \$73,489 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>
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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.

Note 4 - 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 5 – 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 6 - 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.

Mountain View-Gotebo ISD No. 3, Kiowa County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 7 – Surety Bonds

The Superintendent is bonded by Western Surety Company, bond number 69540593 for the penal sum of \$100,000 for the term of July 1, 2010 to July 1, 2011.

The treasurer is bonded by Western Surety Company, bond number 68503754 for the penal sum of \$50,000 for the term of July 1, 2010 to July 1, 2011.

The encumbrance clerk is bonded by Western Surety Company, bond number 70729582 for the penal sum of \$20,000 for the term June 1, 2010 to June1, 2011.

The activity fund custodian is bonded by Western Surety Company, bond #16127742 for the penal sum of \$50,000 for the term July 2, 2010 to July 2, 2011.

Note 8 – Budget Amendment

The child nutrition budget was amended was amended once during the year by filing a supplemental appropriations form with the county clerk's office. The supplemental appropriation was filed August 2, 2011 for \$14,063. This increased the original child nutrition fund budget from \$136,018 to \$150,081.

OTHER SUPPLEMENTAL INFORMATION

Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2011

<u>ASSETS</u>	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2011</u>
Cash and Cash Equivalents	\$ 141,273	\$ 10,506	\$ 151,779
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 141,273</u>	<u>\$ 10,506</u>	<u>\$ 151,779</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants Payable	\$ 14,039	\$ 5,900	\$ 19,939
Reserve for Encumbrances	<u>7,555</u>	<u>0</u>	<u>7,555</u>
<i>Total Liabilities</i>	<u>\$ 21,594</u>	<u>\$ 5,900</u>	<u>\$ 27,494</u>
Fund Balance:			
Cash Fund Balance	<u>\$ 119,679</u>	<u>\$ 4,606</u>	<u>\$ 124,285</u>
<i>Total Fund Balance</i>	<u>\$ 119,679</u>	<u>\$ 4,606</u>	<u>\$ 124,285</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 141,273</u>	<u>\$ 10,506</u>	<u>\$ 151,779</u>

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2011

	Building Fund	Child Nutrition Fund	Total June 30, 2011
Revenue Collected:			
Local Sources	\$ 169,519	\$ 24,836	\$ 194,355
Intermediate Sources	0	0	0
State Sources	20,305	7,331	27,636
Federal Sources	0	90,064	90,064
Non-Revenue Receipts	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 189,824</u>	<u>\$ 122,231</u>	<u>\$ 312,055</u>
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	299,870	0	299,870
Operation of Non-Instructional Services	10,953	149,143	160,096
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>\$ 310,823</u>	<u>\$ 149,143</u>	<u>\$ 459,966</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (121,000)</u>	<u>\$ (26,912)</u>	<u>\$ (147,911)</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	0	0
Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (121,000)</u>	<u>\$ (26,912)</u>	<u>\$ (147,911)</u>
<i>Fund Balance - Beginning of Year</i>	<u>240,678</u>	<u>31,518</u>	<u>272,196</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 119,679</u></u>	<u><u>\$ 4,606</u></u>	<u><u>\$ 124,285</u></u>

Mountain View-Gotebo School District No.I-003, Kiowa 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			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 122,108	\$ 122,108	\$ 169,519	\$ 27,000	\$ 27,000	\$ 24,836	\$ 149,108	\$ 149,108	\$ 194,355
Intermediate Sources	0	0	0	0	0	0	0	0	0
State Sources	0	0	20,305	1,500	1,500	7,331	1,500	1,500	27,636
Federal Sources	0	0	0	76,000	90,063	90,064	76,000	90,063	90,064
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 122,108</u>	<u>\$ 122,108</u>	<u>\$ 189,824</u>	<u>\$ 104,500</u>	<u>\$ 118,563</u>	<u>\$ 122,231</u>	<u>\$ 226,608</u>	<u>\$ 240,671</u>	<u>\$ 312,055</u>
Expenditures Paid:									
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	338,708	338,708	299,870	0	0	0	338,708	338,708	299,870
Operation of Non-Instructional Services	9,079	9,079	10,953	136,018	150,081	149,143	145,097	159,160	160,096
Facilities Acquisition and Construction	15,000	15,000	0	0	0	0	15,000	15,000	0
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 362,786</u>	<u>\$ 362,786</u>	<u>\$ 310,823</u>	<u>\$ 136,018</u>	<u>\$ 150,081</u>	<u>\$ 149,143</u>	<u>\$ 498,804</u>	<u>\$ 512,867</u>	<u>\$ 459,966</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	\$ (240,678)	\$ (240,678)	\$ (121,000)	\$ (31,518)	\$ (31,518)	\$ (26,912)	\$ (272,196)	\$ (272,196)	\$ (147,911)
Adjustments to Prior Year Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	\$ (240,678)	\$ (240,678)	\$ (121,000)	\$ (31,518)	\$ (31,518)	\$ (26,912)	\$ (272,196)	\$ (272,196)	\$ (147,911)
<i>Fund Balance - Beginning of Year</i>	<u>240,678</u>	<u>240,678</u>	<u>240,678</u>	<u>31,518</u>	<u>31,518</u>	<u>31,518</u>	<u>272,196</u>	<u>272,196</u>	<u>272,196</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,679</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,606</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,285</u>

Mountain View-Gotebo School District No.1-003, Kiowa County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2011

<u>ASSETS</u>	<u>School Activity Fund</u>
Cash	\$ 74,787
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 74,787</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>74,787</u>
<i>Total Liabilities</i>	<u>\$ 74,787</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 74,787</u>

Mountain View-Gotebo School District No.I-003, Kiowa County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

ACTIVITIES	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Athletics	\$ 1,111	\$ 22,214	\$ 17,876	\$ 5,449
Concessions	117	13,497	13,497	117
Petty Cash	0	200	200	0
Clearing Account	0	600	600	0
Jr.-Sr. Library	51	38	51	38
FFA Fees & Dues	2,824	25,063	26,860	1,027
FCCLA	256	2,496	2,626	126
Technology Ed Projects	951	260	142	1,069
Technology Ed. Club	1,475	60	1,406	129
Miscellaneous	2,136	4,035	4,909	1,261
Band	2,194	4,424	3,549	3,069
Football/Weight Lifting	1,200	6,283	6,293	1,190
Class of 2011	11,510	42,884	54,394	0
Jr./Sr High Cheerleaders	2,288	6,604	6,776	2,116
Student Council	179	1,212	784	608
Class of 2012	0	32,362	21,552	10,810
Art Fees	1,153	30	97	1,086
Class of 2013	0	962	388	573
Yearbook	12,253	3,956	5,605	10,604
Vending Machine	2,303	3,690	2,442	3,552
Elementary PK-6 Activities	4,222	14,536	14,139	4,620
Fellowship of Christian Ath	51	0	0	51
4-H	11	0	0	11
Athletic Shirt Sales	774	0	0	774
HS Boys Basketball	100	2,731	2,461	370
Swimming Pool	2,527	2,130	439	4,219
Swimming Pool Concessions	1,486	653	773	1,367
BPA	8,182	11,832	9,398	10,616
HS Girls Basketball	1,347	60	1,114	294
HS Boys Baseball	1,247	2,446	3,425	269
Student Clearing Acct	39	4,397	4,391	46
After Prom Party Account	409	1,593	1,731	271
MVG Academic Team	1,389	1,854	1,808	1,436
Sosftball	320	1,626	1,453	493
Gearup Parent Leadership Grant	1,456	144	445	1,155
Baseball Concession Account	0	1,458	1,458	0
Educational Foundation Account	0	5,973	0	5,973
Total Activities	\$ 65,564	\$ 222,303	\$ 213,080	\$ 74,787

MOUNTAIN VIEW-GOTEBO INDEPENDENT SCHOOL DISTRICT NO. 3, KIOWA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Grantor's Number	Deferred Revenue (Accounts Receivable) July 1, 2010	Receipts	Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2011
U.S. Department of Education						
Direct Programs:						
Title VII, Part A, Indian Education	84.060	561	0	0	23,720	(23,720)
Title VI, Subpart 1, Smal Rural School Achievment	84.358	588	0	0	14,481	(14,481)
Title VIII, Impact Aid (Note 4)	84.041	591	9,751	15,894	0	25,645
Title VIII, Impact Aid Special Ed. (Note 4)	84.041	592	940	0	0	940
Passed Through State Department of Education:						
Title I, Basic	84.010	511	(6,122)	75,498	69,376	0
Title 1 Cluster			(6,122)	75,498	69,376	0
IDEA-B Flowthrough	84.027	621	(3,419)	46,254	42,835	0
ARRA IDEA Part B Flow Through	84.391A	622	(991)	991	0	0
IDEA-B Preschool	84.173	641	(21)	21	0	0
Special Education Cluster			(4,431)	47,266	42,835	0
ARRA Education Stabilization Fund	84.394	782	3,803	70,898	66,864	7,837
ARRA Government Service Fund (Note 5)	84.397	789	(8,141)	8,141	0	0
ARRA Stabilization Cluster			(4,338)	79,039	66,864	7,837
Title II, Part A, Teacher & Prin Training	84.367	586	0	20,017	20,017	0
Gear Up	84.334A	771	14,374	13,500	12,012	15,862
Education Jobs Fund	84.410	790	0	54,795	54,795	0
Total U.S. Department of Education			10,174	306,008	304,100	12,083
U.S. Department of Agriculture						
Passed Through State Department of Education:						
Child Nutrition Cluster:						
Breakfast Program (Note 2)	10.553	385	0	30,904	30,904	0
Lunch Program (Note 2)	10.555	385	0	59,159	59,159	0
Commodities Distributed -Lunch (Note 3)	10.555	N/A	0	5,690	5,690	0
Child Nutrition Cluster			0	95,753	95,753	0
Total U.S. Department of Agriculture			0	95,753	95,753	0
Other Federal Assistance						
Medicaid Resources	93.778	698	713	0	0	713
Johnson O'Malley	15.130	563	2,425	6,718	8,164	979
Total Other Federal Assistance:			3,138	6,718	8,164	1,692
TOTAL FEDERAL ASSISTANCE			13,312	408,479	408,017	13,775

Note 1 - The Schedule of Federal Awards expended 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 these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$5,690 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 4 - The District did not code any expenditures to the Impact Aid project codes.

Note 5 - The prior year SEFA should have shown a receivable of \$8,141.

The following transactions related to the American Recovery and Reinvestment Act:

	CFDA#	Project #	Federal Grant Receipts	Federal Grant Expenditures	ARRA Deferred (Accounts Rec)
ARRA Special Education	84.391A	622	991	0	0
ARRA Government Service Fund (Note 5)	84.397	789	8,141	0	0
ARRA Education Stabilization Fund	84.394	782	79,039	66,864	0
			88,171	66,864	0

**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
Mountain View-Gotebo Independent School District #3
Kiowa County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Mountain View-Gotebo Independent School District #3**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated November 21, 2011. 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. Our 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 the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2011-1 Finding

Statement of Condition - While helping to prepare the Estimate of Needs in August 2011, we noted that the District had over expended its original appropriations in the child nutrition fund by \$13,124 (even though it had enough cash to make the expenditures). Upon notification, the District filed a supplemental appropriation form with the county excise board for \$14,063.

Criteria – State law prohibits a school from approving expenditures in excess of its appropriations approved by the county excise board (including any supplemental appropriations filed and approved).

Cause/Effect of Condition –. The school was not monitoring its available appropriations to ensure that appropriations were not overspent and, therefore, expended more than the amount approved.

Recommendation – The school should check its available appropriations for all funds prior to approving a purchase order to ensure that the approved budget is not exceeded.

Views of Responsible Officials and Planned Corrective Action - The superintendent and encumbrance clerk will monitor available appropriations.

2011-2 – Finding

Statement of Condition –The school did not code adequate expenditures to account for specific revenues received for the following programs:

<u>Program</u>	<u>Prior Year Undercoding</u>	<u>Received</u>	<u>Expenditures</u>	<u>Variance</u>
Title VIII – Impact Aid	\$ 9,751	\$ 15,894	\$ 0	\$25,645
Title VIII-Impact Aid Spec Ed	940	0	0	940
ARRA Stabilization	3,803	70,898	66,864	7,837
Medicaid Resources	713	0	0	713
Johnson O'Malley	2,425	6,718	8,164	979

Criteria –The school should code adequate expenditures to account for specific revenues received.

Cause/Effect of Condition –The school is not monitoring expenditures coded to specific state or federal project codes and may be asked to prove how these funds were used.

Recommendation – The school should code additional expenditures to these accounts in the 2011-12 fiscal year to account the amounts under coded in prior years.

Views of Responsible Officials and Planned Corrective Action – Managements will make sure that additional expenditures are coded to offset revenues in prior years.

2011-3 – Finding

Statement of Condition – The Sr. Class of 2011 planned a trip to Hawaii. The sponsors of the trip, who had to reserve autos, cabins, excursions etc., prior to the trip, did not want to use their own credit cards to pay for these activities. Therefore, the school wrote a check to the sponsor for \$4,516.03. The Superintendent authorized the sponsor to open a checking account and obtain a debit card to pay for these items. It does not appear the opening of the new account was approved by the school board. Also, the account was not opened in the school's name. It was opened in the sponsor's names and designated as the 2011 Senior Trip to Hawaii account. Upon return from the trip, a total of \$4,278.29 had been expended from the debit card account. The sponsors could only provide documentation to support \$2,278.95 of the expenditures paid from this account. Upon review of the bank account, it appears the expenditures for missing documentation could be considered applicable to the trip. The bank account had \$237.74 remaining in the account at the end of the trip. The remaining funds were withdrawn by the sponsors and distributed to the students, rather than being returned to the activity fund. We reviewed the sheets signed by the students and verified that they received the remaining funds..

Criteria – All new bank accounts opened should be approved by the Board. Also, new accounts should not be placed in the care of outside sponsors. A better situation would be to set up the new account under the school's name but have the sponsors as signors on the account. All documentation should be kept and turned into the activity fund custodian to support the expenditures from this account. Also, any unused funds should be re-deposited to the activity fund. Those funds could then be spent at the board's discretion.

Cause/Effect of Condition – This was an unusual situation and the school was trying to come up with an appropriate way to make these expenditures and accommodate the sponsors. Policies were not followed for opening bank accounts, keeping documentation and re-depositing remaining funds.

Recommendation – The school should establish policies on accounting for senior trips and sponsors should be made aware of documentation and re-depositing of funds requirements.

Views of Responsible Officials and Planned Corrective Actions – Management will address policies and closely monitor the accounting for any senior trips in the future.

2011-4 – Finding

Statements of Condition – There are currently no procedures in place for collecting and depositing swimming pool gate and concession proceeds. They are also holding money for long periods of time (usually only depositing once a month). Two people are not counting the money before it is placed under the control of one person.

Criteria – Good internal controls require a reconciliation of people attending and money collected be signed off by two individuals prior to the money being placed under the control of one individual. Concessions should be counted by two individuals as well. Also, revenues and expenditures should be monitored to see if a profit is being made on the concessions.

Cause/Effect of Condition – No procedures are in place for collecting and depositing money, therefore, opportunities for misappropriation of funds could occur and not be caught by the District in a timely manner.

Recommendation – Procedures need to be put into place similar to gates and concessions for sporting events. Also, an analysis of concession proceeds verses concession purchases should be made to determine if concession profits are reasonable.

Views of Responsible Officials and Planned Corrective Action – Management will put reconciliation procedures in place and require timely deposits.

2011-5 – Finding

Statement of Condition – It appears that class parents are filling out purchase requisitions for supply purchases. Also, sponsors are not signing to indicate receipt of goods/services in the activity fund.

Criteria – Only sponsors/authorized personnel should be requesting purchase of goods/services for school activity funds. Invoices/shipping tickets should have a signature indicated receipt of goods/services prior to payment being issued.

Cause/Effect of Condition – Lack of proper procedures could cause increased risk of fraud in activity fund accounts.

Recommendation – Only sponsors of activity fund accounts should request purchases from the accounts and the sponsors should sign the receipt indicating the goods/services were received and they were in good condition.

Views of Responsible Officials and Planned Corrective Action – The District will no longer allow parents to fill out purchase orders and they will make sure that the sponsor is signing invoice indicating goods or services are received.

Compliance and Other Matters

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

The District's response to the findings identified in our audit are described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education of Mountain View-Gotebo School, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
November 21, 2011

OTHER INFORMATION

Mountain View-Gotebo ISD No. 3, Kiowa County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2011

STATE OF OKLAHOMA)
)ss
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'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 Mountain View- Gotebo *Schools* for the audit year 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



By: _____

Subscribed and sworn to before me this _____ day of _____, 2011

Notary Public

My Commission Expires 11-12-2012

Mountain View-Gotebo ISD No. 3, Kiowa County
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2011

Management Letter Findings:

2010-1 - Finding – During our testing of the Superintendent’s payroll contract, we noted that the flex benefit amount of \$5,145 for health insurance was paid to the Superintendent; however, the contract did not specify that the flex amount was to be paid. In past years, the Superintendent’s contract allowed for this payment. It appears this was an oversight in preparing the contract for fiscal year 2009-10. Title 70 Section 5-141 of the Oklahoma Statutes states “...*The school District shall not be authorized to pay any salary, benefits or other compensation to a superintendent which are not specified in the contract on file at the State Department of Education.*”

Recommendation - The district should prepare an amended contract for the 2009-10 year and send it to the State Department of Education. Also in the future, we recommend all salary and benefits intended to be paid to the superintendent be included on his contract that is sent to the State Department of Education.

Current Status – This was not noted for the 2010-11 year.

2010-2 - Finding – It appears that non-exempt employees who drive a bus in addition to their regular position are not keeping time sheets to verify their total hours worked. In addition, it appears that some of these non-exempt employees are working more than 40 hours in a work week but are not being compensated correctly for their overtime. Under the Fair Labor Standards Act, non-exempt employees are to be paid 1 ½ times their regular rate of pay for all hours worked in excess of 40 hours in a work week.

Recommendation – We recommend time sheets be kept for all non-exempt employees and any hours worked in excess of 40 should be paid at 1 ½ times their regular rate of pay.

Current Status - This appears to have been corrected for the 2010-11 year.

2010-3 - Finding – During our testing of the FFA sausage sale fundraiser, we noted 3 of 11 deposits were not made in a timely manner. Deposits were greater than \$1,000 and receipts began 2 to 4 business days prior to the deposit. Oklahoma statutes require all collections in excess of \$100 be deposited on a daily basis.

Recommendation – We recommend sponsors turn in money to the activity fund custodian on a daily basis and deposits be made in accordance with Oklahoma statutes.

Current Status – Deposits were made timely during the 2010-11 year.

2010-4 - Finding – During our testing of purchase orders, we noted a few instances where purchase orders were dated after the date of the invoice or delivery ticket. Thus, it appears that purchases are being made prior to the encumbrance clerk checking to see if the district has available appropriations to make the purchase.

Recommendation – We recommend that an approved purchase order be used to initiate the purchasing process.

Current Status - This was corrected for the 2010-11 year.

2010-5 - Finding – The school did not code adequate expenditures to offset specific revenues received for the following programs:

	<u>Received</u>	<u>Expended</u>	<u>Variance</u>
Title VIII – Impact Aid	\$9,751	\$0	\$9,751
Title VIII – Impact Aid Special Ed	940	0	940
Gear Up	14,250	1,475	12,775
ARRA Education Stabilization	111,378	107,575	3,803
Johnson O’Malley	9,720	7,295	2,425

Recommendation - The school should code additional expenditures to these accounts in the 2010-11 fiscal year to offset the amount under-coded in 2009-2010.

Current Status – This was not corrected for the 2010-11 year.