

REPORT OF AUDIT

NINNEKAH SCHOOL DISTRICT #I-51

GRADY COUNTY - OKLAHOMA

JULY 1, 2010 TO JUNE 30, 2011

**NINNEKAH SCHOOL DISTRICT NO. I-51**  
GRADY COUNTY, OKLAHOMA  
JUNE 30, 2011

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**NINNEKAH SCHOOL DISTRICT NO. I-51**  
GRADY COUNTY, OKLAHOMA  
JUNE 30, 2011

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**NINNEKAH INDEPENDENT SCHOOL DISTRICT NO. I-51, GRADY COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

President	Rusty Garrett
Vice President	Greg Skidmore
Clerk	Scott Miller
Member	Jeff McConnell
Member	Walt Brenning

**SUPERINTENDENT OF SCHOOLS**

Todd Bunch

**ENCUMBRANCE CLERK**

Donelle Lee

**SCHOOL DISTRICT TREASURER**

Darrel Johnston

# Chas. W. Carroll, P.A.

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Enid, Oklahoma 73701  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

I have audited the accompanying fund type and account group financial statements of Ninnekah School District #I-51, Grady County, Oklahoma, as listed in the Table of Contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

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

In my opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ninnekah School District #I-51, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended.

In my opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Ninnekah School District #I-51, as of June 30, 2011, and the revenues collected and expenditures paid/expenses, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements, schedules, and schedule of expenditures of federal awards, as listed in the Table of Contents under the other supplementary information, are presented for purposes of additional analysis, and are not a required part of the basic financial statement of the District. Also, the accompanying schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in my opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated February 16, 2012, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Sincerely,



Chas. W. Carroll, P.A.

February 16, 2012

COMBINED FINANCIAL STATEMENTS

Ninnekah School District No.1-051, Grady County, Oklahoma  
 Combined Statement of Assets, Liabilities and Equity  
 Regulatory Basis - All Fund Types and Account Groups  
 For the Year Ending June 30, 2011

	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 390,347	\$ 190,468	\$ 13,801	\$ 7,932	\$ 65,986	\$ 0	\$ 668,534	
Investments	514,636	0	0	0	0	0	514,636	
Amounts Available in Debt Service Fund	0	0	0	0	0	13,801	13,801	
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	856,199	856,199	
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	2,515,748	2,515,748	
Amounts to be Provided for Capitalized Compensated Absences	0	0	0	0	0	4,865	4,865	
<b>Total Assets</b>	<b>\$ 904,982</b>	<b>\$ 190,468</b>	<b>\$ 13,801</b>	<b>\$ 7,932</b>	<b>\$ 65,986</b>	<b>\$ 3,390,613</b>	<b>\$ 4,573,782</b>	
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Warrants Payable	\$ 308,307	\$ 16,411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 324,718	
Reserve for Encumbrances	8,738	0	0	0	0	0	8,738	
Due to Activity Groups	0	0	0	0	65,986	0	65,986	
General Obligation Bonds Payable	0	0	0	0	0	870,000	870,000	
Capitalized Lease Obligations Payable	0	0	0	0	0	2,515,748	2,515,748	
Compensated Absence Payable	0	0	0	0	0	4,865	4,865	
<b>Total Liabilities</b>	<b>\$ 317,045</b>	<b>\$ 16,411</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 65,986</b>	<b>\$ 3,390,613</b>	<b>\$ 3,790,055</b>	
Fund Equity:								
Reserved for Debt Service	\$ 0	\$ 0	\$ 13,801	\$ 0	\$ 0	\$ 0	\$ 13,801	
Reserved for Capital Projects	0	0	0	7,932	0	0	7,932	
Cash Fund Balance	587,937	174,058	0	0	0	0	761,994	
<b>Total Fund Equity</b>	<b>\$ 587,937</b>	<b>\$ 174,058</b>	<b>\$ 13,801</b>	<b>\$ 7,932</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 783,727</b>	
<b>Total Liabilities and Fund Equity</b>	<b>\$ 904,982</b>	<b>\$ 190,468</b>	<b>\$ 13,801</b>	<b>\$ 7,932</b>	<b>\$ 65,986</b>	<b>\$ 3,390,613</b>	<b>\$ 4,573,782</b>	

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

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
<b>Revenue Collected:</b>					
Local Sources	\$ 627,136	\$ 84,911	\$ 337,468	\$ 81	\$ 1,049,596
Intermediate Sources	74,197	0	0	0	74,197
State Sources	2,085,995	71,931	3,361	0	2,161,287
Federal Sources	466,363	228,593	0	0	694,956
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 3,253,691</u>	<u>\$ 385,435</u>	<u>\$ 340,829</u>	<u>\$ 81</u>	<u>\$ 3,980,036</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 2,001,643	\$ 31,385	\$ 0	\$ 0	\$ 2,033,029
Support Services	1,190,033	22,297	0	1,803	1,214,133
Operation of Non-Instructional Services	586	302,032	0	0	302,617
Facilities Acquisition and Construction	3,147	62,866	0	160,000	226,013
Other Outlays	900	0	0	0	900
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	290,000	0	290,000
Interest and Fiscal Agent Fees	0	0	50,080	0	50,080
<i>Total Expenditures Paid</i>	<u>\$ 3,196,309</u>	<u>\$ 418,580</u>	<u>\$ 340,080</u>	<u>\$ 161,803</u>	<u>\$ 4,116,772</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 57,382</u>	<u>\$ (33,145)</u>	<u>\$ 749</u>	<u>\$ (161,723)</u>	<u>\$ (136,736)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 1,796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,963</u>	<u>\$ 6,759</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 386	\$ 0	\$ 0	\$ 0	\$ 386
Bond Proceeds	0	0	0	160,000	160,000
Transfers In	11,989	34,852	0	0	46,841
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 12,375</u>	<u>\$ 34,852</u>	<u>\$ 0</u>	<u>\$ 160,000</u>	<u>\$ 207,227</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 71,553</u>	<u>\$ 1,707</u>	<u>\$ 749</u>	<u>\$ 3,240</u>	<u>\$ 77,250</u>
<i>Fund Balance - Beginning of Year</i>	<u>516,383</u>	<u>172,351</u>	<u>13,051</u>	<u>4,692</u>	<u>706,477</u>
<i>Fund Balance - End of Year</i>	<u>\$ 587,937</u>	<u>\$ 174,058</u>	<u>\$ 13,801</u>	<u>\$ 7,932</u>	<u>\$ 783,727</u>

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

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 543,071	\$ 543,071	\$ 627,136	\$ 86,716	\$ 86,716	\$ 84,911	\$ 327,029	\$ 327,029	\$ 340,829
Intermediate Sources	63,500	63,500	74,197	0	0	0	0	0	0
State Sources	1,881,832	1,881,832	2,085,995	71,484	71,484	71,931	0	0	0
Federal Sources	308,710	308,710	466,363	196,200	196,200	228,593	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 2,797,113</b>	<b>\$ 2,797,113</b>	<b>\$ 3,253,691</b>	<b>\$ 354,400</b>	<b>\$ 354,400</b>	<b>\$ 385,435</b>	<b>\$ 327,029</b>	<b>\$ 327,029</b>	<b>\$ 340,829</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 2,085,834	\$ 2,085,834	\$ 2,001,643	\$ 61,304	\$ 61,304	\$ 31,385	\$ 0	\$ 0	\$ 0
Support Services	1,199,848	1,199,848	1,190,033	55,757	55,757	22,297	0	0	0
Operation of Non-Instructional Services	640	640	586	333,993	333,993	302,032	0	0	0
Facilities Acquisition and Construction	0	0	3,147	108,697	108,697	62,866	0	0	0
Other Outlays	251	251	900	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	26,923	26,923	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 3,313,496</b>	<b>\$ 3,313,496</b>	<b>\$ 3,196,309</b>	<b>\$ 559,751</b>	<b>\$ 559,751</b>	<b>\$ 418,580</b>	<b>\$ 340,080</b>	<b>\$ 340,080</b>	<b>\$ 340,080</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (516,383)</b>	<b>\$ (516,383)</b>	<b>\$ 57,382</b>	<b>\$ (205,351)</b>	<b>\$ (205,351)</b>	<b>\$ (33,145)</b>	<b>\$ (13,051)</b>	<b>\$ (13,051)</b>	<b>\$ 749</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,796</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>									
Esopped Warrants	\$ 0	\$ 0	\$ 386	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	11,989	33,000	33,000	34,852	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,375</b>	<b>\$ 33,000</b>	<b>\$ 33,000</b>	<b>\$ 34,852</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (516,383)</b>	<b>\$ (516,383)</b>	<b>\$ 71,553</b>	<b>\$ (172,351)</b>	<b>\$ (172,351)</b>	<b>\$ 1,707</b>	<b>\$ (13,051)</b>	<b>\$ (13,051)</b>	<b>\$ 749</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 516,383</b>	<b>\$ 516,383</b>	<b>\$ 516,383</b>	<b>\$ 172,351</b>	<b>\$ 172,351</b>	<b>\$ 172,351</b>	<b>\$ 13,051</b>	<b>\$ 13,051</b>	<b>\$ 13,051</b>
<b>Fund Balance - End of Year</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 587,937</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 174,058</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,801</b>

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

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Ninnekah Public Schools Independent District No. 51, 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.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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).

**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 the 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.

Cooperative Fund - The Cooperative Fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. Ninnekah was the LEA for a cooperative agreement established by a state alternative education program.

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

**4. Capital Projects Fund** - The Capital Projects Fund consists of the Districts 2003, 2009, and 2010 Building and a 2007 Transportation bond issue. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**1.B. Fund Accounting, (continued)**

**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.

**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:

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

- 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.
- 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.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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 not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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

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

**1.F. Revenue, Expenses, and Expenditures**

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

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

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**I.F. Revenue, Expenses, and Expenditures, (continued)**

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

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

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

**Note 2 – Deposit and Investment Risk**

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

	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 676,247
Time Deposits – Certificate of Deposits	<u>514,636</u>
Total Deposits	<u>\$1,190,883</u>

Investments Other Than Certificate of Deposits:	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
None			

Reconciliation to the Combined Statement of Assets, Liabilities and Equity

Cash and Cash Equivalents	\$1,183,170
Investments	0
Activity Fund Outstanding Checks	<u>7,713</u>
Total Deposits and Investments	<u>\$1,190,883</u>

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

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities,

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 2 – Deposit and Investment Risk, (continued)**

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-ratings agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

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

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

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 2 – Deposit and Investment Risk, (continued)**

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

**Note 3 - General Long-term Debt**

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

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

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	1,000,000	0	78,856	1,078,856
Additions	160,000	2,515,748	0	2,675,748
Retirements	290,000	0	30,205	320,205
Balance, June 30, 2011	870,000	2,515,748	48,651	3,434,399

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2007 Transportation Bonds	3.95 to 4.0%	July 1, 2012	\$ 300,000	\$ 80,000
2009 Building Bonds	2.35 to 3.0%	July 1, 2014	\$ 840,000	\$ 630,000
2010 Building Bonds	2.00 to 3.85%	1-Jul-15	\$ 160,000	\$ 160,000
<b>Totals</b>			<b>\$ 1,300,000</b>	<b>\$ 870,000</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2007 Transportation Bonds</b>			
2011-12	\$ 80,000	\$ 6,400	\$ 86,400
<b>Sub Total</b>	<b>\$ 80,000</b>	<b>\$ 6,400</b>	<b>\$ 86,400</b>
<b>2009 Building Bond</b>			
2011-12	\$ 210,000	\$ 15,540	\$ 225,540
2012-13	\$ 210,000	\$ 10,290	\$ 220,290
2013-14	\$ 210,000	\$ 5,355	\$ 215,355
<b>Sub Total</b>	<b>\$ 630,000</b>	<b>\$ 31,185</b>	<b>\$ 661,185</b>

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

<b>2010 Building Bond</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011-12	\$ 40,000	\$ 4,240	\$ 44,240
2012-13	\$ 40,000	\$ 2,700	\$ 42,700
2013-14	\$ 40,000	\$ 1,900	\$ 41,900
2014-15	\$ 40,000	\$ 1,000	\$ 41,000
<b>Sub Total</b>	<b>160,000</b>	<b>9,840</b>	<b>169,840</b>
<b>Total Bonds</b>	<b>\$ 870,000</b>	<b>\$ 47,425</b>	<b>\$ 917,425</b>

Interest expense on bonds payable incurred during the current year totaled \$50,080.

The District has entered into a lease agreement as lessee for financing the improvements to the Districts buildings. The lease agreements qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

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

Year Ending Jun 30	Lease Purchase Lease Payments
2012	\$ 387,866
2013	\$ 177,866
2014	\$ 702,866
2015	\$ 332,866
2016	\$ 432,866
2017	\$ 277,866
2018	\$ 642,866
2019	\$ 85,545
Total	\$ 3,040,605
Less: Amount Representing Interest	\$ (524,857)
Present Value of Future Minimum Lease Payments	<u>\$ 2,515,748</u>

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

**Compensated Absences**

Upon retirement, thirty-five dollars (\$35.00) will be paid for personal days accumulated up to ten (10) days. Upon retirement, employees in the Ninnekah School District will be provided one of two options: 1) The employee will be paid \$11.00 for each day of sick leave accumulated in the Ninnekah School District up to a maximum of one hundred and twenty (120) days. 2) The employee may use the entire 120 days for retirement purposes as allowed under present Oklahoma State Law.

Employees having over one hundred and twenty (120) days of sick leave accumulated in the Ninnekah School District will be paid fifteen (\$15) dollars for each day over the one hundred and twenty (120) days at the end of the school year.

Below is a breakdown of the District's liability for compensated absences as of June 30, 2011:

Personal Days	\$ 10,399
Sick Days	<u>38,252</u>
<b>Total Liability</b>	<b><u>\$ 48,651</u></b>

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. 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 9.5% of applicable compensation for the year ended June 30, 2011. The District is allowed

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System, (continued)**

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 \$182,228, \$168,470, and \$146,558 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$1,919,911; the District's total compensation was \$2,342,539. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.50% of compensation arising from federal grants (\$7,189) and 9.50% of compensation arising from post retirement employees (\$5,296). There were \$112,400 contributions made by employees during the year ended June 30, 2011.

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

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

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

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

**Note 5 - Contingencies**

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

**Note 6 – Risk Management**

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

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 7 - Use of Estimates**

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

**Note 8 – Surety Bonds**

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

Administrative Assistant	\$ 1,000
Superintendent	\$ 100,000
Encumbrance Clerk	\$ 1,000
Minute Clerk	\$ 1,000
Treasurer	\$ 100,000
Activity Fund Clerk	\$ 1,000
Payroll Clerk	\$ 1,000
Elementary Principal	\$ 1,000

The bond number 1594567 is continuous and has been in effect since April 4, 1988.

OTHER SUPPLEMENTAL INFORMATION

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Cash Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2011**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>Coop Fund</u></b>	<b><u>Total June 30, 2011</u></b>
Cash and Cash Equivalents	\$ 88,770	\$ 85,153	\$ 16,545	\$ 190,468
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 88,770</u>	<u>\$ 85,153</u>	<u>\$ 16,545</u>	<u>\$ 190,468</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 375	\$ 14,311	\$ 1,725	\$ 16,411
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 375</u>	<u>\$ 14,311</u>	<u>\$ 1,725</u>	<u>\$ 16,411</u>
Fund Balance:				
Cash Fund Balance	<u>\$ 88,395</u>	<u>\$ 70,842</u>	<u>\$ 14,821</u>	<u>\$ 174,058</u>
<i>Total Fund Balance</i>	<u>\$ 88,395</u>	<u>\$ 70,842</u>	<u>\$ 14,821</u>	<u>\$ 174,058</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 88,770</u>	<u>\$ 85,153</u>	<u>\$ 16,545</u>	<u>\$ 190,468</u>

Exhibit A-1

**Ninnekah School District No.1-051, Grady 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**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Cooperative Fund</u>	<u>Total June 30, 2011</u>
<b>Revenue Collected:</b>				
Local Sources	\$ 84,812	\$ 99	\$ 0	\$ 84,911
Intermediate Sources	0	0	0	0
State Sources	1,008	24,717	46,206	71,931
Federal Sources	0	228,593	0	228,593
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 85,819</u>	<u>\$ 253,409</u>	<u>\$ 46,206</u>	<u>\$ 385,435</u>
 <b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 31,385	\$ 31,385
Support Services	22,297	0	0	22,297
Operation of Non-Instructional Services	0	302,032	0	302,032
Facilities Acquisition and Construction	62,866	0	0	62,866
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 85,163</u>	<u>\$ 302,032</u>	<u>\$ 31,385</u>	<u>\$ 418,580</u>
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	 <u>\$ 657</u>	 <u>\$ (48,622)</u>	 <u>\$ 14,821</u>	 <u>\$ (33,145)</u>
 <b>Adjustments to Prior Year Encumbrances</b>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>
 <b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	34,852	0	34,852
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 34,852</u>	<u>\$ 0</u>	<u>\$ 34,852</u>
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	 <u>\$ 657</u>	 <u>\$ (13,770)</u>	 <u>\$ 14,821</u>	 <u>\$ 1,707</u>
 <i>Fund Balance - Beginning of Year</i>	 <u>87,738</u>	 <u>84,613</u>	 <u>0</u>	 <u>172,351</u>
 <i>Fund Balance - End of Year</i>	 <u>\$ 88,395</u>	 <u>\$ 70,842</u>	 <u>\$ 14,821</u>	 <u>\$ 174,058</u>

Ninnekah School District No. J-051, Grady County, Oklahoma  
 Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
 Special Revenue Funds - Budget and Actual  
 For the Year Ending June 30, 2011

	Building Fund		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 76,716	\$ 76,716	\$ 84,812
Intermediate Sources	0	0	0
State Sources	0	0	1,008
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 76,716</b>	<b>\$ 76,716</b>	<b>\$ 85,819</b>

	Cooperative Fund		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 10,000	\$ 10,000	\$ 0
Intermediate Sources	0	0	0
State Sources	51,304	51,304	46,206
Federal Sources	0	0	0
Non-Revenue Receipts	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 61,304</b>	<b>\$ 61,304</b>	<b>\$ 46,206</b>

	Child Nutrition Fund		
	Original Budget	Final Budget	Actual
Revenue Collected:			
Local Sources	\$ 0	\$ 0	\$ 99
Intermediate Sources	0	0	0
State Sources	20,180	20,180	24,717
Federal Sources	196,200	196,200	228,593
Non-Revenue Receipts	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 216,380</b>	<b>\$ 216,380</b>	<b>\$ 253,409</b>

	Original Budget	Final Budget	Actual
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	55,757	55,757	22,297
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition and Construction	108,697	108,697	62,866
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 164,454</b>	<b>\$ 164,454</b>	<b>\$ 85,163</b>

	Original Budget	Final Budget	Actual
Expenditures Paid:			
Instruction	\$ 61,304	\$ 61,304	\$ 31,385
Support Services	0	0	0
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition and Construction	0	0	0
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 61,304</b>	<b>\$ 61,304</b>	<b>\$ 31,385</b>

	Original Budget	Final Budget	Actual
Expenditures Paid:			
Instruction	\$ 0	\$ 0	\$ 0
Support Services	0	0	0
Operation of Non-Instructional Services	0	0	0
Facilities Acquisition and Construction	333,993	333,993	302,032
Other Outlays	0	0	0
Other Uses	0	0	0
Repayments	0	0	0
Interest Paid	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 333,993</b>	<b>\$ 333,993</b>	<b>\$ 302,032</b>

Excess of Revenues Collected Over (Under)  
 Expenditures Paid Before Adjustments to  
 Prior Year Encumbrances

\$ (87,738) \$ (87,738) \$ 657

\$ (117,613) \$ (117,613) \$ (48,622)

Adjustments to Prior Year Encumbrances

\$ 0 \$ 0 \$ 0

\$ 0 \$ 0 \$ 0

Other Financing Sources (Uses):  
 Stopped Warrants  
 Transfers In  
 Transfers Out  
 Total Other Financing Sources (Uses)

\$ 0 \$ 0 \$ 0  
 \$ 0 \$ 0 \$ 0  
 \$ 0 \$ 0 \$ 0  
 \$ 0 \$ 0 \$ 0

\$ 0 \$ 0 \$ 0  
 \$ 33,000 \$ 33,000 \$ 34,852  
 \$ 33,000 \$ 33,000 \$ 34,852

Excess (Deficiency) of Revenue Collected  
 Over Expenditures Paid and Other Financing  
 Sources (Uses)

\$ (87,738) \$ (87,738) \$ 657

\$ (84,613) \$ (84,613) \$ (13,770)

Fund Balance - Beginning of Year

\$ 87,738 \$ 87,738 \$ 87,738

\$ 84,613 \$ 84,613 \$ 84,613

Fund Balance - End of Year

\$ 0 \$ 0 \$ 88,395

\$ 0 \$ 0 \$ 70,842

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**Activity Fund - Regulatory Basis**  
**For the Year Ending June 30, 2011**

<b><u>ASSETS</u></b>	<b><u>School Activity Fund</u></b>
Cash	\$ 65,986
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 65,986</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>65,986</u>
<i>Total Liabilities</i>	\$ <u>65,986</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 65,986</u>

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2011**

<b>ACTIVITIES</b>	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
Child Nutr Program	\$ 0	\$ 38,279	\$ 38,279	\$ 0
General Miscellaneous	4,568	15,890	15,901	4,556
Athletics	11,672	50,722	55,019	7,374
First Grade Supplies	56	1,667	1,656	67
Jeffries Supplies	0	1,294	1,237	57
Pre K Supplies-Loveless	13	469	469	14
FFA	9,013	90,392	79,396	20,010
Student Council	594	566	815	345
Yearbook	4,266	9,825	7,016	7,076
Elementary	2,340	19,220	14,310	7,250
Clearing Refund Account	0	6,165	6,165	0
Robinson Supplies	138	1,390	1,456	72
Art 2 Funding	32	412	444	0
Science Club	2,432	182	2,105	509
Library	189	7,104	6,998	295
HS Cheerleaders	3,203	13,725	14,023	2,905
Heavin Supplies	795	730	1,525	0
Spirit Club	0	3,814	3,338	476
Fitzwater Supplies	260	1,222	1,211	270
Elementary STUCO	71	0	0	71
Elem GT	1,076	768	1,009	836
Class of 2015	0	610	368	241
Ratzlaff Supplies	2,464	1,703	842	3,324
Flower Fund	568	697	527	739
Burns Supplies	600	1,690	900	1,390
7th & 8thCenter	1,379	2,112	3,115	376
Harrell Supplies	910	606	1,439	77
Educational Foundation	200	0	0	200
Spanish Club	2,561	0	0	2,561
Class of 2016	0	769	316	452
Academic Team	210	0	126	84
Record Searches	0	585	495	90
Kindergarten Supplies	342	2,754	2,602	493
Chess Club	47	0	0	47
Pre K Supplies-Ferguson	510	452	432	530
Class of 2014	0	400	0	400
Drama Club	516	0	168	348
Art Club	79	0	48	31
Rowell Supplies	0	156	0	156
Class of 2013	0	2,925	2,261	665
Class of 2010	1	0	1	0
Class of 2011	286	1,089	1,365	11
Music	20	0	0	20
6th Supplies	156	2,160	1,766	550
Class of 2012	920	5,783	5,746	956
CPR Class	65	0	0	65
<b>Total Activities</b>	<b>\$ 52,551</b>	<b>\$ 288,324</b>	<b>\$ 274,889</b>	<b>\$ 65,986</b>

NINNEKAH SCHOOL DISTRICT #I-51  
 GRADY COUNTY - OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 ALLOCATIONS & EXPENDITURES  
 07/01/10 TO 06/30/11

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2010	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2011
<u>U.S. Department of Education -</u>						
<u>Direct Programs</u>						
83.358A	588	\$47,039.64	\$0.00	\$1,441.64	\$22,581.64	\$21,140.00
REAP						
<u>State Department of Education -</u>						
Title I						
84.010	511	103,846.52	50,856.74	156,310.37	114,143.12	8,689.49
84.389A	516	72,655.25	4,480.77	39,259.59	35,997.77	1,218.95
Title I Cluster						
84.367	541/586	30,561.49	0.00	27,221.53	29,654.01	2,432.48
84.318	546/548/586	379.39	0.00	379.39	379.39	0.00
84.318	547	33,406.60	0.00	0.00	7,353.02	7,353.02
IDEA-B Flow Through						
84.027	621	83,528.80	77,504.04	113,671.20	82,491.62	46,324.46
84.391A	622	0.00	13,578.53	13,578.53	0.00	0.00
84.173	641	1,589.95	0.00	0.00	0.00	0.00
84.392A	643	390.44	2,281.07	2,281.07	351.27	351.27
Special Education Cluster						
84.394	782	108,063.00	0.00	108,063.00	108,063.00	0.00
84.397	789	0.00	(190.66)	0.00	0.00	(190.66)
84.397	787	24,371.00	(3,637.74)	0.00	3,637.74	0.00
ARRA Stabilization Cluster						
<u>State Department of Career</u>						
<u>And Technology -</u>						
84.126	456	2,199.15	546.79	2,745.94	2,199.15	0.00
Rehabilitation Services						
<u>Other Federal Assistance -</u>						
15.130	563	1,428.00	0.00	1,410.80	1,410.80	0.00
Johnson O'Malley						

NINNEKAH SCHOOL DISTRICT #I-51  
 GRADY COUNTY - OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 ALLOCATIONS & EXPENDITURES  
 07/01/10 TO 06/30/11

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2010	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2011
<u>U.S. Department of Agriculture -</u>							
Child Nutrition Cluster:							
10.555	National School Lunch Program	385	131,345.20	0.00	131,345.20	131,345.20	0.00
10.553	School Breakfast Program	385	93,889.98	0.00	93,889.98	93,889.98	0.00
10.559	Summer Food Program	385	3,107.46	3,357.68	3,357.68	3,107.46	3,107.46
	Total Cash Assistance			3,357.68	228,592.86	228,342.64	3,107.46
10.550	Commodity Distribution	385	11,185.49	0.00	11,185.49	11,185.49	0.00
	Total Child Nutrition Program			3,357.68	239,778.35	239,528.13	3,107.46
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$148,777.22	\$706,141.41	\$647,790.66	\$90,426.47

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

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

NOTE 3: The amount expended represents the value of the food commodities received.

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

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

STATE OF OKLAHOMA )  
 )  
COUNTY OF GARFIELD )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Ninnekah School District #I-51, Grady County, Oklahoma, for the audit year 2010-11.

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

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 16<sup>th</sup> day of February, 2012.

*Pam S. Melvin*  
Notary Public

My Commission expires January 29, 2016



# Chas. W. Carroll, P.A.

The Broadway Tower - Suite 805  
114 E. Broadway

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

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

The Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

Board Members:

I have audited the accompanying fund type and account group financial statements of the Ninnekah School District #I-51, Grady County, Oklahoma, as listed in the Table of Contents as combined financial statements as of and for the year ended June 30, 2011, and have issued my report thereon dated February 16, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to general fixed assets. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A material weakness is a deficiency, or combination of deficiencies, that results in more than a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

I noted certain matters that we reported to management of the District in a separate letter titled Current Year Audit Exceptions and Recommendations as item B-1.

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

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

Sincerely,

  
Chas. W. Carroll, P.A.  
February 16, 2012

OTHER INFORMATION

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2011

There were no reportable conditions noted in the 2009-10 fiscal year.

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF FINDINGS

Section 1 - Summary of Auditor's Results

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

# Chas. W. Carroll, P.A.

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

### Compliance

I have audited the compliance of Ninnekah School District #I-51, Grady County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

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

In my opinion, Ninnekah School District #I-51 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB-Circular A-133.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining an effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine my auditing procedures for the purpose of

expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented, or detected and corrected by the District's internal control on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

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

Sincerely,



Chas. W. Carroll, P.A.  
February 16, 2012

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011

I have audited the accompanying financial statements of Ninnekah School District #I-51, Grady County, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report dated February 16, 2012, which was adverse with respect to GAAP prescribed basis and qualified for regulatory basis because of the omission of fixed assets. My audit did not disclose any instances of non-compliance which are material to those financial statements. In addition, I have issued an unqualified opinion concerning compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs and no audit findings were disclosed which are required to be reported.

The major federal programs audited are as follows: Title I Cluster and the Child Nutrition Cluster. The dollar threshold used to distinguish between Type A and Type B programs is established at \$300,000 or 3% (0.3) of the total federal awards expended for Type A, other programs which are not labeled as Type A are labeled as Type B. The District was determined to be a high-risk auditee.

No findings relating to the financial statements which are required to be reported in accordance with GAGAS were noted or brought to my attention during the 2010-11 fiscal year.

No findings and questioned costs relating to the financial statements and federal awards as described in OMB Circular A-133 were noted or brought to my attention during the 2010-11 fiscal year.

CURRENT YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS

Specific Administrative Controls

Internal Control

B-1 Purchasing Procedures

The expenditures and purchasing procedures tested for Activity Funds during my examination did not, in some instances, have a purchase order dated prior to the purchase date. In some instances the invoice was not always signed by an authorized person when supplies or material were received.

All expenditures made through District Funds, including Activity Funds, are to have properly itemized and documented invoices and/or packing slips attached to each purchase order for identification of materials or services purchased. Either the invoice or packing slip must be signed by an authorized person to insure that materials and services ordered have been received.

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

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
JULY 1, 2010 TO JUNE 30, 2011

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

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