

**ANNUAL FINANCIAL REPORT
NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

Board of Education

| | |
|----------------|---|
| President | Kim Adams |
| Vice-President | Tony Gibson |
| Clerk | Jeanette Smith |
| Deputy Clerk | Kandy Milette |
| Member | Ronnie Sallee, Jr. (resigned February 14, 2011) |

Superintendent of Schools

Greg Kasbaum

School District Treasurer

Meloni Sauer

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
JUNE 30, 2011**

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**NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
JUNE 30, 2011**

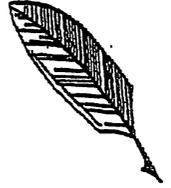
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Independent Auditor's Report

The Honorable Board of Education
Noble School District No. I-40
Cleveland County, Oklahoma

I have audited the accompanying fund type and account group financial statements of the Noble School District No. I-40, Cleveland 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 Noble School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 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 discussed in Note 1 (C), these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Noble School District No. I-40, Cleveland County, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid/expenses for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 11, 2012, on my consideration of the Noble School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the combined financial statements of Noble School District No. I-40. The combining financial statements and supporting schedules 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 additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements of Noble School District No. I-40. The combining financial statements and supporting schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in my opinion, are fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Education of Noble School District No. I-40, Cleveland County, Oklahoma, 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.

Kerry John Patten, C.P.A.
February 14, 2012

COMBINED FINANCIAL STATEMENTS

NOBLE SCHOOL DISTRICT NO. I-40
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2011

Governmental Fund Types

| | General | Special Revenue | Debt Service |
|--|------------------------|------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 4,894,316.96 | \$ 1,134,455.64 | \$ 71,520.38 |
| Investments | - | - | - |
| Amounts available in debt service fund | - | - | - |
| Amounts to be provided for retirement of general long-term debt | - | - | - |
| Total assets | \$ 4,894,316.96 | \$ 1,134,455.64 | \$ 71,520.38 |
| <u>LIABILITIES</u> | | | |
| Liabilities: | | | |
| Outstanding warrants | \$ 1,135,546.53 | \$ 5,066.35 | \$ - |
| Encumbrances | 469,228.01 | 49,214.65 | - |
| Long-term debt: | - | - | - |
| Bonds payable | - | - | - |
| Interest payable | - | - | - |
| Total liabilities | \$ 1,604,774.54 | \$ 54,281.00 | \$ - |
| Fund balances: | | | |
| Designated for capital projects | \$ - | \$ - | \$ - |
| Designated for debt service | - | - | - |
| Cash fund balances | 3,289,542.42 | 1,080,174.64 | 71,520.38 |
| Total fund balances | \$ 3,289,542.42 | \$ 1,080,174.64 | \$ 71,520.38 |
| Total liabilities and fund balances | \$ 4,894,316.96 | \$ 1,134,455.64 | \$ 71,520.38 |

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

| <u>Governmental Fund Types</u> | <u>Fiduciary Fund Types</u> | <u>Account Groups</u> | <u>Total (Memorandum Only)</u> |
|------------------------------------|---------------------------------|-----------------------------------|--|
| <u>Capital Projects</u> | <u>Trust and Agency</u> | <u>General Long-term Debt</u> | <u>June 30, 2011</u> |
| \$ 200,000.00 | \$ 310,215.67 | \$ - | \$ 6,610,508.65 |
| - | - | - | - |
| - | - | 71,520.38 | 71,520.38 |
| - | - | 1,428,479.62 | 1,428,479.62 |
| <u>\$ 200,000.00</u> | <u>\$ 310,215.67</u> | <u>\$ 1,500,000.00</u> | <u>\$ 8,110,508.65</u> |
| \$ - | \$ 4,389.81 | \$ - | \$ 1,145,002.69 |
| - | - | - | 518,442.66 |
| - | - | 1,500,000.00 | 1,500,000.00 |
| - | - | - | - |
| <u>\$ -</u> | <u>\$ 4,389.81</u> | <u>\$ 1,500,000.00</u> | <u>\$ 3,163,445.35</u> |
| \$ 200,000.00 | \$ - | \$ - | \$ 200,000.00 |
| - | - | - | - |
| - | 305,825.86 | - | 4,747,063.30 |
| <u>\$ 200,000.00</u> | <u>\$ 305,825.86</u> | <u>\$ -</u> | <u>\$ 4,947,063.30</u> |
| <u>\$ 200,000.00</u> | <u>\$ 310,215.67</u> | <u>\$ 1,500,000.00</u> | <u>\$ 8,110,508.65</u> |

NOBLE SCHOOL DISTRICT NO. I-40
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

| | Governmental Fund Types | | |
|---|-------------------------------|-------------------------------|----------------------------|
| | General | Special Revenue | Debt Service |
| Revenues collected: | | | |
| Local sources | \$ 2,337,015.76 | \$ 621,186.11 | \$ 1,462,665.64 |
| Intermediate sources | 594,172.70 | - | - |
| State sources | 12,542,023.57 | 17,129.91 | - |
| Federal sources | 2,302,031.62 | 677,318.80 | - |
| Total revenues collected | <u>\$ 17,775,243.65</u> | <u>\$ 1,315,634.82</u> | <u>\$ 1,462,665.64</u> |
| Expenditures paid: | | | |
| Instruction | \$ 10,260,469.78 | \$ 10,113.31 | \$ - |
| Support services | 6,531,454.84 | 150,638.34 | - |
| Non-instructional services | 582,707.76 | 542,042.00 | - |
| Capital outlay | - | - | - |
| Other outlays | 400.00 | - | - |
| Other uses | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | 1,400,000.00 |
| Interest | - | - | 43,400.00 |
| Total expenditures paid | <u>\$ 17,375,032.38</u> | <u>\$ 702,793.65</u> | <u>\$ 1,443,400.00</u> |
| Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances | <u>\$ 400,211.27</u> | <u>\$ 612,841.17</u> | <u>\$ 19,265.64</u> |
| Adjustments to prior year encumbrances | <u>\$ 12,912.22</u> | <u>\$ 4,235.19</u> | <u>\$ -</u> |
| Other financing sources (uses): | | | |
| Bond sale proceeds | \$ - | \$ - | \$ - |
| Operating transfers in/(out) | 449,017.94 | (449,017.94) | 600.00 |
| Bank charges | - | - | - |
| Total other financing sources (uses) | <u>\$ 449,017.94</u> | <u>\$ (449,017.94)</u> | <u>\$ 600.00</u> |
| Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses) | <u>\$ 862,141.43</u> | <u>\$ 168,058.42</u> | <u>\$ 19,865.64</u> |
| Fund balances, beginning of year | <u>\$ 2,427,400.99</u> | <u>\$ 912,116.22</u> | <u>\$ 51,654.74</u> |
| Fund balances, end of year | <u><u>\$ 3,289,542.42</u></u> | <u><u>\$ 1,080,174.64</u></u> | <u><u>\$ 71,520.38</u></u> |

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

| Governmental Fund Types | Total (Memorandum Only) |
|----------------------------|-------------------------------|
| Capital Projects | June 30, 2011 |
| \$ - | \$ 4,420,867.51 |
| 600.00 | 594,772.70 |
| - | 12,559,153.48 |
| - | 2,979,350.42 |
| <u>\$ 600.00</u> | <u>\$ 20,554,144.11</u> |
| \$ - | \$ 10,270,583.09 |
| - | 6,682,093.18 |
| - | 1,124,749.76 |
| 1,350,000.00 | 1,350,000.00 |
| - | 400.00 |
| - | - |
| - | 1,400,000.00 |
| - | 43,400.00 |
| <u>\$ 1,350,000.00</u> | <u>\$ 20,871,226.03</u> |
| \$ (1,349,400.00) | \$ (317,081.92) |
| <u>\$ -</u> | <u>\$ 17,147.41</u> |
| \$ - | \$ - |
| 1,500,000.00 | 1,500,000.00 |
| (600.00) | (600.00) |
| <u>\$ 1,499,400.00</u> | <u>\$ 1,500,000.00</u> |
| \$ 150,000.00 | \$ 1,200,065.49 |
| <u>\$ 50,000.00</u> | <u>\$ 3,441,171.95</u> |
| <u>\$ 200,000.00</u> | <u>\$ 4,641,237.44</u> |

**NOBLE SCHOOL DISTRICT NO. I-40
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011**

| | General Fund | | |
|--|--------------------------|--------------------------|-------------------------|
| | Original Budget | Final Budget | Actual |
| Revenues collected: | | | |
| Local sources | \$ 2,050,391.96 | \$ 2,050,391.96 | \$ 2,337,015.76 |
| Intermediate sources | 520,633.17 | 520,633.17 | 594,172.70 |
| State sources | 11,593,571.97 | 11,593,571.97 | 12,542,023.57 |
| Federal sources | 2,014,717.19 | 2,014,717.19 | 2,302,031.62 |
| Total revenues collected | \$ 16,179,314.29 | \$ 16,179,314.29 | \$ 17,775,243.65 |
| Expenditures paid: | | | |
| Instruction | \$ 11,851,796.21 | \$ 11,851,796.21 | \$ 10,260,469.78 |
| Support services | 6,199,338.18 | 6,199,338.18 | 6,531,454.84 |
| Non-instructional services | 514,121.00 | 514,121.00 | 582,707.76 |
| Capital outlay | - | - | - |
| Other outlays | 41,459.89 | 41,459.89 | 400.00 |
| Other uses | - | - | - |
| Total expenditures paid | \$ 18,606,715.28 | \$ 18,606,715.28 | \$ 17,375,032.38 |
| Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances | \$ (2,427,400.99) | \$ (2,427,400.99) | \$ 400,211.27 |
| Adjustments to prior year encumbrances | \$ - | \$ - | \$ 12,912.22 |
| Other financing sources (uses): | | | |
| Operating transfers in/out | \$ - | \$ - | \$ 449,017.94 |
| Bank Charges | - | - | - |
| Total other financing sources (uses) | \$ - | \$ - | \$ 449,017.94 |
| Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses) | \$ (2,427,400.99) | \$ (2,427,400.99) | \$ 862,141.43 |
| Cash fund balance beginning of year | \$ 2,427,400.99 | \$ 2,427,400.99 | \$ 2,427,400.99 |
| Cash fund balance end of year | \$ - | \$ - | \$ 3,289,542.42 |

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

Special Revenue Fund

| Original Budget | Final Budget | Actual |
|------------------------|------------------------|------------------------|
| \$ 550,481.62 | \$ 550,481.62 | \$ 621,186.11 |
| - | - | - |
| 13,665.18 | 13,665.18 | 17,129.91 |
| 610,722.05 | 698,941.33 | 677,318.80 |
| <u>\$ 1,174,868.85</u> | <u>\$ 1,263,088.13</u> | <u>\$ 1,315,634.82</u> |
| \$ 70,000.00 | \$ 70,000.00 | \$ 10,113.31 |
| 917,095.37 | 917,095.37 | 150,638.34 |
| 953,889.70 | 1,042,108.98 | 542,042.00 |
| 146,000.00 | 146,000.00 | - |
| - | - | - |
| - | - | - |
| <u>\$ 2,086,985.07</u> | <u>\$ 2,175,204.35</u> | <u>\$ 702,793.65</u> |
| <u>\$ (912,116.22)</u> | <u>\$ (912,116.22)</u> | <u>\$ 612,841.17</u> |
| \$ - | \$ - | \$ 4,235.19 |
| \$ - | \$ - | \$ (449,017.94) |
| - | - | - |
| \$ - | \$ - | \$ (449,017.94) |
| <u>\$ (912,116.22)</u> | <u>\$ (912,116.22)</u> | <u>\$ 168,058.42</u> |
| <u>\$ 912,116.22</u> | <u>\$ 912,116.22</u> | <u>\$ 912,116.22</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,080,174.64</u> |

NOTES TO THE FINANCIAL STATEMENTS

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

The accompanying financial statements of the Noble School District No. 1-40 (the "District") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The District's accounting policies are described in the following notes that are an integral part of the District's financial statements.

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. 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. These statements present only the activities of the District.

B. Measurement Focus

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 an independent accounting entity with a self-balancing set of accounts. The account groups are financial reporting devices designed to provide accountability for certain assets and liabilities that are not recorded directly in the funds.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District has the following fund types and account groups:

Governmental Funds

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 project funds), and the servicing of general long-term debt (debt service funds). Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received, rather than earned. Expenditures are generally recognized when encumbered or reserved, rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies (continued)

with expendable, available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

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

Special Revenue Fund – The special revenue funds are used for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for technology center property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for center facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund – The child nutrition fund consists of revenues from local collections, state, and federal sources used to benefit the food service program.

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 and interest. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Fund – The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Fiduciary Funds

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 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.

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, for 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.

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

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

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.
- Inventories of supplies are recorded as expenditures rather than assets.
- A General Fixed Asset Account Group is not required by the State Department of Education's regulatory basis of accounting.

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.

D. Budgets and Budgetary Accounting

Prior to July 1 each year, the governing board of the school district prepares a verified application showing the needs of the school district and submits the application to the County Excise Board, who makes temporary appropriations for lawful current expenses of the school district. The temporary appropriations are merged with the annual appropriations when the annual budget for the school district is finally approved.

Prior to October 1 each year, the school Board of Education must make a financial statement, showing the true fiscal condition of the school as of the close of the previous fiscal year ended June 30, along with an itemized statement of estimated needs and probable income from all sources for the fiscal year.

A budget is legally adopted by the Board of Education for the general fund and special revenue fund(s) of the school district.

Encumbrances represent commitments to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Under Oklahoma Law, unencumbered appropriations lapse at the end of the year.

E. Assets, Liabilities and Fund Equity

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 on the aggregation of this data.

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

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies (continued)

Investments – State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost.

Inventories – Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the District's financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased, rather than when consumed.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reported as 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 non-vesting accumulating rights to receive such pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable, available financial resources.

Fixed Assets – The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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.

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

F. Revenues, Expenses and Expenditures

Local Revenues – Revenue from local sources is revenue produced within the school district, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the school board.

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 the tax is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following Oct. 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.

Intermediate Revenues – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, such as a county or municipality, and redistributed to the school district.

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies (continued)

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

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

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. 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.

Federal Revenues – Revenue from Federal sources is money originating from the Federal government and made available to the school district either as direct grants or under various programs passed-through the State Department of Education.

The Federal government also makes payments to school districts whose revenues are adversely affected by the presence of Federal activities. Although these payments are made in consideration of lost property tax revenue, the Oklahoma State Department of Education advocates classifying such amounts as revenue from Federal sources.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators, and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objective of instruction, community services and enterprise programs, rather than as entities within them.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff, and the community.

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

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

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies (continued)

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Inter-Fund Transfers

Inter-fund transfers during the year ended June 30, 2011, were as follows:

| <u>Transfer Out</u> | <u>Transfer In</u> | |
|--------------------------|---------------------|---------------------|
| Governmental activities: | <u>General Fund</u> | <u>Sinking Fund</u> |
| Child Nutrition Fund | \$449,017.94 | |
| Bond Fund | | \$600.00 |

The transfer from Child Nutrition Fund to General Fund represented reimbursements for Child Nutrition program expenses paid from the General Fund. The transfer from Bond Fund to Sinking Fund represented accrued interest received on General Obligation bonds sold.

Budgetary Information

Under current Oklahoma Statutes, a formal Estimate of Needs (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. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board, becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown included in supporting schedules.

2. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes.

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

2. Deposit Categories of Credit Risk (continued)

9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

The District's investment policy instructs the treasurer to place primary emphasis on safety and liquidity in the investment of funds. All investments shall be designed to maximize yield with the class of investment instrument, consistent with the safety of the funds invested.

Custodial Credit Risk:

Deposits and Investments - The District's demand deposits are required by law to be collateralized by the amount that is not federally insured.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution, but are pledged to the District. The security cannot be released, substituted, or sold without the School Treasurer's approval and release of the security.

Certificates of deposit are collateralized at least by the amount not federally insured. As of June 30, 2011, the District had no deposits exposed to custodial credit risk.

The District's investments consist of direct obligations of the U.S. government and agencies' securities.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

Credit Risk:

The District has no formal written policy addressing credit risk.

At June 30, 2011, the District has no investments that are not guaranteed by the full faith and credit of the United States Government.

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. 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. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

**NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

3. General Long-Term Debt

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

General long-term debt of the District consists of bonds payable. Debt service requirements for bonds are payable solely from 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:

| | | <u>Bonds Payable</u> |
|------------------------|----|----------------------------|
| Balance, July 1, 2010 | \$ | 1,400,000.00 |
| Additions | \$ | 1,500,000.00 |
| Retirements | \$ | <u>1,400,000.00</u> |
| Balance, June 30, 2011 | \$ | <u><u>1,500,000.00</u></u> |

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

| | | <u>Amount Outstanding</u> |
|---|-----------|-----------------------------------|
| School District No. I-40 Building Bonds, Series 2010, original issue \$1,500,000.00, average interest rate of 1.35%, due in one installment of \$1,500,000.00 on July 1, 2012. | \$ | <u>1,500,000.00</u> |
| Total Bonds Outstanding | \$ | <u><u>1,500,000.00</u></u> |

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

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|-------------------------------|----------------------------|-------------------------------|
| 2012 | \$ <u>1,500,000.00</u> | \$ <u>40,500.00</u> | \$ <u>1,540,500.00</u> |
| Total | \$ <u><u>1,500,000.00</u></u> | \$ <u><u>40,500.00</u></u> | \$ <u><u>1,540,500.00</u></u> |

Interest expense incurred on general long-term debt during the current year totaled \$ 43,400.00.

The School District taxpayers approved a proposition to issue bonds in amount of \$12,885,000.00. These bonds are to be issued in series over a period of years. Each series will be defined by purpose and amount of proceeds that each series will provide (The bonds are to be issued in series so that at no time the total bonds outstanding will exceed the amount allowed under the Constitution of Oklahoma). The first series, in the amount of \$1,575,000.00 will be issued on July 1, 2011. The District intends to use the remainder of these bonds issued in the future, to finance installments of lease-purchase obligations.

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

4. Lease Commitments

The school's lease-purchase commitments include property financed through a technique referred to as "conduit financing." Conduit financing involves the use of a public trust, which issues conduit debt obligations (limited-obligation revenue bonds, certificates of participation, or similar debt instruments) for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The public trust has no obligation for such debt beyond the resources provided by a lease or loan with the third party, on whose behalf the debt is issued.

The District entered into a Ground Lease with Rural Enterprises of Oklahoma, Inc., and Oklahoma not-for-profit corporation, organized under the laws of the State of Oklahoma, on April 1, 2011, for certain real property owned by the District. The Ground Lease Agreement extends to August 15, 2024, or until payment in full of the School District's lease payments. The Ground Lease Agreement was made to facilitate the issuance of \$10,000,000.00 in revenue bonds by Rural Enterprises of Oklahoma, Inc. to provide funds to acquire, construct, and equip school facilities and acquisition of student transportation equipment.

The District entered into a lease-purchase agreement with Rural Enterprises of Oklahoma, Inc., on April 1, 2011, wherein the property subject to the Ground Lease mentioned in the previous paragraph is leased back to the School District to enable the District to utilize proceeds of the \$10,000,000.00 revenue bonds issued by Rural Enterprises of Oklahoma, Inc., for the acquisition, construction and improvements on the real property and provide a method for the District to obtain title to the property and improvements.

The lease-purchase agreement expires on June 30, of each fiscal year, unless extended additional one year terms. The District has the option to extend the lease-purchase agreement for successive annual terms by affirmative action of the Board of Education. The following is a schedule by years of future payments due under this lease-purchase agreement:

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|-------------------------|------------------------|-------------------------|
| 2012 | \$ 250,000.00 | \$ 549,860.78 | \$ 799,860.78 |
| 2013 | 1,600,000.00 | 398,135.00 | 1,998,135.00 |
| 2014 | 225,000.00 | 346,135.00 | 571,135.00 |
| 2015 | - | 338,485.00 | 338,485.00 |
| 2016 | 1,285,000.00 | 338,485.00 | 1,623,485.00 |
| 2017-2020 | 6,640,000.00 | 765,750.00 | 7,405,750.00 |
| Total | \$ 10,000,000.00 | \$ 2,736,850.78 | \$ 12,736,850.78 |

Additionally, in June 2004, the Noble School District leased certain real property to the Noble Economic Development authority (the Authority). The Authority then constructed improvements on the property, financed with \$8,595,000.00 of Lease Revenue Notes, Series 2004 (Noble Public Schools project). The improved real property and facilities were leased back to the school district pursuant to a sublease agreement. The lease rental payments made by the School District pursuant to the Authority are pledged by the Authority to finance their lease revenue bonds. The following is a schedule by years of future payments due under this lease-purchase agreement:

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|------------------------|----------------------|------------------------|
| 2012 | \$ 1,220,810.31 | \$ 113,607.00 | \$ 1,334,417.31 |
| 2013 | 1,599,925.26 | 88,860.00 | 1,688,785.26 |
| Total | \$ 2,820,735.57 | \$ 202,467.00 | \$ 3,023,202.57 |

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Lease Commitments (continued):

The District is lease-purchasing certain HVAC and lighting equipment and improvements with Zions National Bank. The lease-purchase was structured to qualify as "Qualified Zone Academy Bonds," or OZAB's pursuant to Section 1397E of the Internal Revenue Code, as amended. The gross interest rate on the lease-purchase is 4.25% for ten years, with the last payment on May 24, 2012. The following is a schedule by years of future payments due under this lease-purchase agreement.

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|---------------------|---------------------|---------------------|
| 2012 | \$ 48,479.17 | \$ 10,423.01 | \$ 58,902.18 |
| Total | \$ <u>48,479.17</u> | \$ <u>10,423.01</u> | \$ <u>58,902.18</u> |

The District also lease-purchases copy machines for the school buildings. These lease-purchase agreements are contingent upon the School Board appropriating funds annually for their purpose. The following is a schedule by years of future payments due under the copier lease-purchase agreements:

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|---------------------|------------------|---------------------|
| 2012 | \$ 33,462.53 | \$ 437.47 | \$ 33,900.00 |
| 2013 | 446.40 | 33.60 | 480.00 |
| Total | \$ <u>33,908.93</u> | \$ <u>471.07</u> | \$ <u>34,380.00</u> |

The lease payments are appropriated annually from school district funds. No liability is reflected in the financial statements for the above lease commitments.

5. Employee Retirement System

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System. The System, which is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

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

Employee Retirement System (continued)

nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

| | | <u>Dollars in Millions</u> |
|--------------------------------------|----|----------------------------|
| Actuarial Accrued Liability | \$ | 17,561. |
| Actuarial Value of Assets | | <u>9,961.</u> |
| Unfunded Actuarial Accrued Liability | \$ | <u>7,600.</u> |

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit. 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 \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, 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 employers' contribution rate is 9.5%. Employees contribute 7.0% of covered compensation.

Annual Pension Cost

The District's contribution to the System for the year ending June 30, 2011, was \$935,422.33. The District's total payroll for fiscal year 2010-11 amounted to \$11,506,744.83.

6. Litigation

The District is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized, and would not materially affect the financial position of the District at June 30, 2011.

7. Contingent Liabilities

The District receives significant financial assistance from the United States government in the form of grants and other federal assistance. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially, all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the District. The District estimates that no material liabilities will result from such audits.

8. Related Entities

The following entities are separately constituted and, accordingly, their financial position and results of operations have not been presented in the accompanying financial statements. Officers are not appointed by the school board. The school board is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the booster club.

Noble Ag Boosters
Bear Down Club

**NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

9. Risk Management

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

The School also participates in a risk pool for Workers' Compensation coverage in which there is transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund, so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

10. Surety Bonds

The District has a Public School System Faithful Performance Blanket Position Bond with CNA Surety. The bond number is 0601 68610529, which covers the encumbrance clerk, minute clerk, activity fund custodian of schools and 15 other individuals for \$50,000.00 and is for the term of June 30, 2010, to June 30, 2011.

The treasurer is bonded by Old Republic Surety Company; bond number LPO-2033609, for the penal sum of \$100,000.00 for a term covering the fiscal year 2010-2011.

The superintendent is bonded by Old Republic Surety Company; bond number LPO-2110709, for the penal sum of \$100,000.00 for a term of July 1, 2010, to July 1, 2011.

COMBINING FINANCIAL STATEMENTS

NOBLE SCHOOL DISTRICT NO. I-40
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2011

| | Building Fund | Child Nutrition Fund | Total |
|---|-----------------|----------------------|-----------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 1,089,622.54 | \$ 44,833.10 | \$ 1,134,455.64 |
| Investments | - | - | - |
| Total assets | \$ 1,089,622.54 | \$ 44,833.10 | \$ 1,134,455.64 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Outstanding warrants | \$ 3,058.00 | \$ 2,008.35 | \$ 5,066.35 |
| Encumbrances | 25,568.65 | 23,646.00 | 49,214.65 |
| Total liabilities | \$ 28,626.65 | \$ 25,654.35 | \$ 54,281.00 |
| Fund balances | \$ 1,060,995.89 | \$ 19,178.75 | \$ 1,080,174.64 |
| Total liabilities and fund balances | \$ 1,089,622.54 | \$ 44,833.10 | \$ 1,134,455.64 |

NOBLE SCHOOL DISTRICT NO. I-40
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2011

| | <u>Building Fund</u> | <u>Child Nutrition Fund</u> | <u>Total</u> |
|---|-------------------------------|-----------------------------|-------------------------------|
| Revenues collected: | | | |
| Local sources | \$ 377,248.42 | \$ 243,937.69 | \$ 621,186.11 |
| Intermediate sources | - | - | - |
| State sources | - | 17,129.91 | 17,129.91 |
| Federal sources | - | 677,318.80 | 677,318.80 |
| Total revenue collected | <u>\$ 377,248.42</u> | <u>\$ 938,386.40</u> | <u>\$ 1,315,634.82</u> |
| Expenditures paid: | | | |
| Instruction | \$ 10,113.31 | \$ - | \$ 10,113.31 |
| Support services | 150,638.34 | - | 150,638.34 |
| Non-instructional services | - | 542,042.00 | 554,042.00 |
| Capital outlay | - | - | - |
| Other outlays | - | - | - |
| Other uses | - | - | - |
| Total expenditures paid | <u>\$ 160,751.65</u> | <u>\$ 542,042.00</u> | <u>\$ 702,793.65</u> |
| Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances | <u>\$ 216,496.77</u> | <u>\$ 396,344.40</u> | <u>\$ 612,841.17</u> |
| Adjustments to prior year encumbrances | <u>\$ 4,235.19</u> | <u>\$ -</u> | <u>\$ 4,235.19</u> |
| Other financing sources (uses): | | | |
| Bond Sale Proceeds | \$ - | \$ - | \$ - |
| Operating transfers in/(out) | - | (449,017.94) | (449,017.94) |
| Bank charges | - | - | - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ (449,017.94)</u> | <u>\$ (449,017.94)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | <u>\$ 220,731.96</u> | <u>\$ (52,673.54)</u> | <u>\$ 168,058.42</u> |
| Fund balances, beginning of year | <u>\$ 840,263.93</u> | <u>\$ 71,852.29</u> | <u>\$ 912,116.22</u> |
| Fund balances, end of year | <u><u>\$ 1,060,995.89</u></u> | <u><u>\$ 19,178.75</u></u> | <u><u>\$ 1,080,174.64</u></u> |

NOBLE SCHOOL DISTRICT NO. 1-40
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
CAPITAL PROJECT FUNDS - REGULATORY BASIS
JUNE 30, 2011

Bond Fund 36

ASSETS

| | | |
|--------------|----|--------------------------|
| Cash | \$ | 200,000.00 |
| Investments | | - |
| | | <hr/> |
| Total assets | \$ | <u><u>200,000.00</u></u> |

LIABILITIES AND FUND BALANCES

Liabilities:

| | | |
|----------------------|----|----------|
| Outstanding warrants | \$ | - |
| Encumbrances | | - |
| | | <hr/> |
| Total liabilities | \$ | <u>-</u> |

Fund balances:

| | | |
|---------------------------------|----|-------------------|
| Designated for capital projects | \$ | 200,000.00 |
| Undesignated | | - |
| | | <hr/> |
| Total fund balances | \$ | <u>200,000.00</u> |

| | | |
|-------------------------------------|----|--------------------------|
| Total liabilities and fund balances | \$ | <u><u>200,000.00</u></u> |
|-------------------------------------|----|--------------------------|

**NOBLE SCHOOL DISTRICT NO. I-40
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS - REGULATORY BASIS
 JUNE 30, 2011**

| | Bond Fund 36 |
|---|-------------------|
| Revenues collected: | |
| Local sources | \$ - |
| Intermediate sources | 600.00 |
| State sources | - |
| Federal sources | - |
| Total revenues collected | \$ 600.00 |
| Expenditures paid: | |
| Instruction | \$ - |
| Support services | - |
| Non-instructional services | - |
| Capital outlays | 1,350,000.00 |
| Other outlays | - |
| Other uses | - |
| Total expenditures paid | \$ 1,350,000.00 |
| Excess of revenues collected over (under) expenditures | \$ (1,349,400.00) |
| Adjustments to prior year encumbrances | \$ - |
| Other financing sources (uses): | |
| Bond sale proceeds | \$ 1,500,000.00 |
| Operating transfers in/(out) | (600.00) |
| Bank charges | - |
| Total other financing sources (uses) | \$ 1,499,400.00 |
| Excess revenues and other sources over (under) expenditures and other uses | \$ 150,000.00 |
| Fund balances, beginning of year | \$ 50,000.00 |
| Fund balances, end of year | \$ 200,000.00 |

NOBLE SCHOOL DISTRICT NO. I-40
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
FIDUCIARY FUND - REGULATORY BASIS
JUNE 30, 2011

| | | <u>Agency Fund</u> | |
|---|----|--------------------|----------------------|
| | | | <u>Activity Fund</u> |
| <u>ASSETS</u> | | | |
| Cash | \$ | 310,215.67 | |
| Investments | | - | |
| Due from other funds | | - | |
| | | | <hr/> |
| Total assets | \$ | 310,215.67 | <hr/> <hr/> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Outstanding warrants | \$ | 4,389.81 | |
| Due to other funds | | - | |
| | | | <hr/> |
| Total liabilities | \$ | 4,389.81 | <hr/> |
| Fund balances: | | | |
| Unreserved/undesignated | \$ | 305,825.86 | |
| | | | <hr/> |
| Total liabilities and fund balances | \$ | 310,215.67 | <hr/> <hr/> |

SUPPORTING SCHEDULES

NOBLE SCHOOL DISTRICT NO. 1-40
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-----------------|-----------------|-----------------|---|
| Fund balances, beginning of year | \$ 840,263.93 | \$ 840,263.93 | \$ 840,263.93 | \$ - |
| Revenues collected: | | | | |
| Local sources | \$ 292,831.44 | \$ 292,831.44 | \$ 377,248.42 | \$ 84,416.98 |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| | \$ 292,831.44 | \$ 292,831.44 | \$ 377,248.42 | \$ 84,416.98 |
| Total revenues collected | \$ 292,831.44 | \$ 292,831.44 | \$ 377,248.42 | \$ 84,416.98 |
| Expenditures paid: | | | | |
| Instruction | \$ 70,000.00 | \$ 70,000.00 | \$ 10,113.31 | \$ 59,886.69 |
| Support services | 917,095.37 | 917,095.37 | 150,638.34 | 766,457.03 |
| Non-instructional services | - | - | - | - |
| Capital outlay | 146,000.00 | 146,000.00 | - | 146,000.00 |
| Other outlays | - | - | - | - |
| Other uses | - | - | - | - |
| | \$ 1,133,095.37 | \$ 1,133,095.37 | \$ 160,751.65 | \$ 972,343.72 |
| Total expenditures paid | \$ 1,133,095.37 | \$ 1,133,095.37 | \$ 160,751.65 | \$ 972,343.72 |
| Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances | \$ - | \$ - | \$ 1,056,760.70 | \$ 1,056,760.70 |
| Adjustments to prior year encumbrances | | | 4,235.19 | |
| Other financing sources (uses): | | | | |
| Operating transfers in/out | | | \$ - | |
| Bank charges | | | - | |
| | | | \$ - | |
| Total other financing sources (uses) | | | \$ - | |
| Cash fund balance end of year | | | \$ 1,060,995.89 | |

NOBLE SCHOOL DISTRICT NO. 1-40
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2011

| | Original Budget | Final Budget | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-----------------|-----------------|-----------------|---|
| Fund balances, beginning of year | \$ 71,852.29 | \$ 71,852.29 | \$ 71,852.29 | \$ - |
| Revenues collected: | | | | |
| Local sources | \$ 258,170.18 | \$ 257,650.18 | \$ 244,457.69 | \$ (13,192.49) |
| Intermediate sources | - | - | - | - |
| State sources | 13,665.18 | 13,665.18 | 17,129.91 | 3,464.73 |
| Federal sources | 610,722.05 | 698,941.33 | 677,318.80 | (21,622.53) |
| Total revenues collected | \$ 882,557.41 | \$ 970,256.69 | \$ 938,906.40 | \$ (31,350.29) |
| Expenditures paid: | | | | |
| Instruction | \$ - | \$ - | \$ - | \$ - |
| Support services | - | - | - | - |
| Non-instructional services | 953,889.70 | 1,042,108.98 | 542,042.00 | 500,066.98 |
| Capital outlay | - | - | - | - |
| Other outlays | - | - | - | - |
| Other uses | - | - | - | - |
| Total expenditures paid | \$ 953,889.70 | \$ 1,042,108.98 | \$ 542,042.00 | \$ 500,066.98 |
| Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances | \$ - | \$ - | \$ 468,716.69 | \$ 468,716.69 |
| Adjustments to prior year encumbrances | | | - | |
| Other financing sources (uses): | | | | |
| Operating transfers in/out | | | \$ (449,017.94) | |
| Bank charges | | | - | |
| Total other financing sources (uses) | | | \$ (449,017.94) | |
| Cash fund balance end of year | | | \$ 19,698.75 | |

**NOBLE SCHOOL DISTRICT NO. I-40
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA #</u> | <u>Grantor's Number</u> |
|---|---------------------------|-------------------------|
| <u>U.S. Department of Education</u> | | |
| Direct Programs: | | |
| <u>2009-2010 Programs Note 1</u> | | |
| Title VII, Indian Education | 84.060A | S060A081102 |
| Sub-Total | | |
| <u>2010-2011 Programs</u> | | |
| * Title VII, Indian Education | 84.060A | S060A1011102 |
| Sub-Total | | |
| Passed-Through State Department of Education: | | |
| <u>2009-2010 Programs Note 1</u> | | |
| Title I, Basic | 84.010 | N/A |
| ARRA Title I | 84.389 | N/A |
| Title II A, Training & Recruiting | 84.367 | N/A |
| Title II D, Education Through Tech | 84.318X | N/A |
| Title IV, Safe & Drug Free | 84.186 | N/A |
| IDEA-B Flow Through | 84.027 | N/A |
| ARRA IDEA-B Flow Through | 84.391A | N/A |
| IDEA-B Preschool | 84.173 | N/A |
| ARRA IDEA-B Preschool | 84.392 | N/A |
| ARRA State Clean Diesel Grant | 60.040 | N/A |
| Sub-Total | | |
| <u>2010-2011 Programs</u> | | |
| Title I-Basic | 84.010 | N/A |
| ARRA-Title I | 84.389 | N/A |
| * IDEA-B Flow Through | 84.027 | N/A |
| * ARRA IDEA-B Flow Through | 84.391A | N/A |
| * IDEA-B Preschool | 84.173 | N/A |
| * ARRA Education Stabilization Fund | 84.394 | N/A |
| Title II, Part A Training & Recruiting Fund | 84.367 | N/A |
| Title II, Part D, Education Through Technology | 84.318X | N/A |
| * ARRA IDEA-B Preschool | 84.392A | N/A |
| Sub-Total | | |

The accompanying notes are an integral part of this schedule
continued

| Balance at July 1, 2010 | Receipts | Expenditures | Balance at June 30, 2011 |
|----------------------------|-----------------|-----------------|-----------------------------|
| \$ (7,437.03) | \$ 7,437.03 | \$ - | \$ - |
| \$ (7,437.03) | \$ 7,437.03 | \$ - | \$ - |
| \$ - | \$ 32,690.70 | \$ 55,992.88 | \$ (23,302.18) |
| \$ - | \$ 32,690.70 | \$ 55,992.88 | \$ (23,302.18) |
| \$ (192,744.35) | 192,744.35 | - | - |
| (21,933.46) | 21,933.46 | - | - |
| (13,711.11) | 13,711.11 | - | - |
| (877.99) | 877.99 | - | - |
| (10,798.16) | 10,798.16 | - | - |
| (204,757.09) | 204,757.09 | - | - |
| (27,949.54) | 27,949.54 | - | - |
| (5,445.70) | 5,445.70 | - | - |
| (4,571.26) | 4,571.26 | - | - |
| (159,056.00) | 159,056.00 | - | - |
| \$ (641,844.66) | \$ 641,844.66 | \$ - | \$ - |
| \$ - | \$ 398,199.71 | 624,410.90 | \$ (226,211.19) |
| - | 8,677.36 | 8,677.36 | - |
| - | 376,455.23 | 608,871.45 | (232,416.22) |
| - | 142,689.96 | 230,098.92 | (87,408.96) |
| - | 9,877.88 | 11,194.93 | (1,317.05) |
| - | 606,810.00 | 606,810.00 | - |
| - | 74,780.33 | 86,100.91 | (11,320.58) |
| - | - | 1,400.00 | (1,400.00) |
| - | 2,568.76 | 2,568.76 | - |
| \$ - | \$ 1,620,059.23 | \$ 2,180,133.23 | \$ (560,074.00) |

**NOBLE SCHOOL DISTRICT NO. I-40
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA #</u> | <u>Grantor's Number</u> |
|--|---------------------------|-------------------------|
| <u>Passed-Through State Department of Career and Technology Education:</u> | | |
| <u>2010-2011 Programs</u> | | |
| Carl Perkins | 84.048 | N/A |
| Sub-Total | | |
| <u>U. S. Department of Agriculture</u> | | |
| <u>Passed-Through State Department of Education:</u> | | |
| * Child Nutrition Cluster: | | |
| Non-Cash Assistance (Commodities): | | |
| National School Lunch Program | 10.555 | N/A |
| Non-Cash Assistance Sub-Total | | |
| Cash Assistance: | | |
| * School Breakfast Program | 10.553 | N/A |
| * National School Lunch Program | 10.555 | N/A |
| * Summer Food Program | 10.559 | |
| Cash Assistance Sub -Total | | |
| Sub - Total for Child Nutrition Cluster | | |
| TOTAL FEDERAL ASSISTANCE | | |
| * Major program | | |

The accompanying notes are an integral part of this schedule

| Balance at July 1, 2010 | Receipts | Expenditures | Balance at June 30, 2011 |
|----------------------------|-----------------|-----------------|-----------------------------|
| \$ - | \$ - | \$ 26,330.11 | \$ (26,330.11) |
| \$ - | \$ - | \$ 26,330.11 | \$ (26,330.00) |
| \$ - | \$ 50,982.14 | \$ 50,982.14 | \$ - |
| \$ - | \$ 50,982.14 | \$ 50,982.14 | \$ - |
| \$ - | \$ 139,754.28 | \$ 139,754.28 | \$ - |
| - | 520,222.44 | 520,222.44 | - |
| - | 17,342.08 | 3,892.60 | 13,449.48 |
| \$ - | \$ 677,318.80 | \$ 663,869.32 | \$ - |
| \$ - | \$ 728,300.94 | \$ 714,851.46 | \$ 13,449.48 |
| \$ (649,281.69) | \$ 3,030,332.56 | \$ 2,977,307.68 | \$ (609,706.18) |

**NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

1. For all federal programs, the District uses the fund types prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. General and Child Nutrition Funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General and Child Nutrition Funds.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All federal grant funds were accounted for in the General and Child Nutrition Funds, which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The Regulatory Basis of Accounting is used for the Governmental Fund types and Agency funds. This basis of accounting recognizes revenue from all sources when they are received. Federal grant funds are considered to be recognized when encumbered or reserved to the extent of expenditures made under the provisions of the grant.

3. Positive amounts listed in the either "Balance at July 1, 2010" or "Balance at June 30, 2011" column represent funds received by the school and not yet expended or coded to the program. Negative amounts represent expenditures which have been claimed, but the revenue not yet collected.
4. The District received donated foods through the Federal Food Distribution Program (10.550). At June 30, 2011, the school maintained an immaterial amount of food commodities inventory. Per the Regulatory Basis of Accounting, the commodities received and used are not recognized as revenue or expenditures in the school's Financial Statements.
5. Reconciliation of the Revenue shown on the *Schedule of Expenditures of Federal Awards* to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

| | | Revenue |
|--|----|----------------------------|
| Schedule of Expenditures of Federal Awards | \$ | 3,030,332.56 |
| Less: Commodities (non-cash assistance) | | <u>(50,982.14)</u> |
| Total per Schedule of Expenditures of Federal Awards | | |
| Reconciled Balance | \$ | <u><u>2,979,350.42</u></u> |
| Federal Program Revenues: | | |
| General Fund | \$ | 2,302,031.62 |
| Child Nutrition Fund | | <u>677,318.80</u> |
| Total per Federal Statement of Revenue, Expenditures, And Changes in Fund Balance | \$ | <u><u>2,979,350.42</u></u> |

NOBLE SCHOOL DISTRICT NO. I-40
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

| Activities | Balance 7-1-10 | Deposited | Net Transfers/ Adjustments | Disbursed | Balance 6-30-11 |
|-------------------------------|-------------------|--------------|----------------------------------|--------------|--------------------|
| Central Office | | | | | |
| Central Office Activity Acct. | \$ 6,748.75 | \$ 3,996.86 | \$ (193.66) | \$ 9,139.21 | \$ 1,412.74 |
| Activity Fund Interest | 10,397.29 | 6,078.49 | (2,172.09) | 452.38 | 13,851.31 |
| Noble Student Assistance | 800.00 | 500.00 | - | - | 1,300.00 |
| District Vending | - | 4,101.57 | 390.96 | 4,434.54 | 57.99 |
| Sub -Total | \$ 17,946.04 | \$ 14,676.92 | \$ (1,974.79) | \$ 14,026.13 | \$ 16,622.04 |
| Kid Elementary | | | | | |
| General Supply | \$ 724.63 | \$ 7,116.29 | \$ 177.61 | \$ 2,114.07 | \$ 5,904.46 |
| Clearing Account | - | 330.16 | (2.60) | 327.56 | - |
| Petty Cash A | - | 200.00 | - | 200.00 | - |
| 100th Day Account | 163.35 | 77.92 | - | - | 241.27 |
| Coke Machine Account | 88.71 | 57.17 | - | - | 145.88 |
| T-Shirt Account | 453.70 | 2,316.00 | 5.00 | 1,875.25 | 899.45 |
| Picture Account | 5,160.52 | 4,033.93 | 10.60 | 4,992.09 | 4,212.96 |
| Book Fair Account | 6,061.66 | 6,962.18 | - | 7,529.47 | 5,494.37 |
| Field Trip Account | 140.57 | 3,797.25 | - | 3,906.50 | 31.32 |
| Sub -Total | \$ 12,793.14 | \$ 24,890.90 | \$ 190.61 | \$ 20,944.94 | \$ 16,929.71 |
| Pioneer Intermediate | | | | | |
| General Supply | \$ 4,364.26 | \$ 8,092.40 | \$ - | \$ 8,647.62 | \$ 3,809.04 |
| Clearing Account | - | 95.00 | - | 95.00 | - |
| 4th Grade | 2,359.68 | 965.00 | - | 540.02 | 2,784.66 |
| 5th Grade | 2,053.42 | 2,069.10 | - | 2,009.15 | 2,113.37 |
| Councilor | 361.00 | 116.50 | - | 94.40 | 383.10 |
| Music Account | 57.16 | 494.00 | (5.00) | 378.46 | 167.70 |
| P.E. Account | 252.77 | - | - | - | 252.77 |
| Special Ed Account | 282.63 | - | - | - | 282.63 |
| Sunshine Account | 1.16 | - | - | - | 1.16 |
| Computer Account | 168.40 | - | - | 137.31 | 31.09 |
| Reading | 11.56 | - | - | - | 11.56 |
| Library | 8,243.71 | 6,304.12 | (73.98) | 4,785.82 | 9,688.03 |
| Sub -Total | \$ 18,155.75 | \$ 18,136.12 | \$ (78.98) | \$ 16,687.78 | \$ 19,525.11 |

continued

NOBLE SCHOOL DISTRICT NO. I-40
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

| Activities | Balance 7-1-10 | Deposited | Net Transfers/ Adjustments | Disbursed | Balance 6-30-11 |
|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| John K. Hubbard Elem. | | | | | |
| General Supply | \$ 11,042.03 | \$ 40,015.34 | \$ (4,903.67) | \$ 31,711.78 | \$ 14,441.92 |
| Clearing Account | - | 555.04 | 13.00 | 568.04 | - |
| Library Account | 2,255.69 | 7,836.70 | - | 8,741.29 | 1,351.10 |
| 2nd Grade | 0.58 | 2,594.00 | 3,153.31 | 3,054.34 | 2,693.55 |
| 3rd Grade | 0.45 | 2,552.25 | 3,100.00 | 4,663.23 | 989.47 |
| Adopt A Child | 1,496.30 | 3,936.00 | - | 3,563.39 | 1,868.91 |
| 1st Grade | - | 2,783.08 | 280.00 | 2,606.23 | 456.85 |
| Music | 476.14 | 853.75 | 300.00 | 852.53 | 777.36 |
| Physical Education | 14,949.51 | - | 15.00 | 14,946.39 | 18.12 |
| Sub -Total | <u>\$ 30,220.70</u> | <u>\$ 61,126.16</u> | <u>\$ 1,957.64</u> | <u>\$ 70,707.22</u> | <u>\$ 22,597.28</u> |
| Curtis Inge Middle School | | | | | |
| General Supply | \$ 1,186.32 | \$ 10,369.35 | \$ - | \$ 8,090.99 | \$ 3,464.68 |
| Clearing Account | - | 451.09 | 250.00 | 701.09 | - |
| Library Account | 1,765.25 | 2,104.05 | - | 1,862.20 | 2,007.10 |
| Student Council | 943.88 | 1,181.00 | 50.00 | 1,267.77 | 907.11 |
| Home Ec Account | 1,258.85 | 1,999.85 | 34.02 | 2,090.75 | 1,201.97 |
| Computer Account | 17.67 | - | - | - | 17.67 |
| Art Account | 1,875.36 | 878.92 | 105.14 | 1,654.22 | 1,205.20 |
| Math Account | 82.82 | - | - | - | 82.82 |
| Yearbook Account | 239.28 | 4,504.00 | - | 2,316.64 | 2,426.64 |
| Tech Ed Account | 932.74 | 1,053.45 | - | 974.26 | 1,011.93 |
| Chorus Account | 5,584.88 | 629.00 | - | 640.57 | 5,573.31 |
| Honor Society | 416.06 | 1,011.00 | - | 778.17 | 648.89 |
| 6th Grade | 3,536.05 | 418.00 | - | 496.69 | 3,457.36 |
| Band Account | 424.89 | - | - | 100.00 | 324.89 |
| All School Sing | 2,607.88 | 2,188.00 | (89.99) | 1,774.65 | 2,931.24 |
| Faculty Vending | 831.11 | 2,056.66 | 123.94 | 2,467.80 | 543.91 |
| Science Dept. | 144.46 | 1,040.00 | - | 860.00 | 324.46 |
| Sub -Total | <u>\$ 21,847.50</u> | <u>\$ 29,884.37</u> | <u>\$ 473.11</u> | <u>\$ 26,075.80</u> | <u>\$ 26,129.18</u> |
| High School | | | | | |
| Student General Supplies | \$ 16,537.78 | \$ 25,971.20 | \$ 2,270.23 | \$ 27,540.74 | \$ 17,238.47 |
| Clearing Account | - | 11,764.62 | - | 11,764.62 | - |
| Petty Cash Account | - | 211.91 | - | 211.91 | - |
| Math Club | 513.74 | 464.25 | - | 680.57 | 297.42 |
| Chorus | 6,849.27 | 32,531.41 | 200.00 | 32,495.88 | 7,084.80 |
| BPA | 2,642.80 | 3,725.24 | 2,323.20 | 5,599.25 | 3,091.99 |
| DECA | 115.60 | 18,288.00 | 20.00 | 18,330.27 | 93.33 |
| ATAE | 213.65 | 2,029.80 | 434.21 | 2,531.49 | 146.17 |
| FCCLA | 163.49 | 4,481.00 | - | 3,862.42 | 782.07 |
| FFA | 2,977.84 | 37,204.85 | 1,175.68 | 39,992.81 | 1,365.56 |

continued

NOBLE SCHOOL DISTRICT NO. I-40
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

| Activities | Balance 7-1-10 | Deposited | Net Transfers/ Adjustments | Disbursed | Balance 6-30-11 |
|--------------------------|---------------------|----------------------|----------------------------------|----------------------|----------------------|
| FCA | 187.94 | - | - | - | 187.94 |
| Class of 2011 | 3,927.83 | 10,539.79 | 668.48 | 10,911.23 | 4,224.87 |
| Class of 2010 | 2,898.65 | 3,143.59 | (2,440.00) | 704.37 | 2,897.87 |
| Teacher General Supplies | 1,602.31 | 3,812.67 | - | 4,911.28 | 503.70 |
| Class of 2012 | 2,287.29 | 10,021.75 | 1,206.00 | 8,814.15 | 4,700.89 |
| Foreign Language | 1,058.92 | 2,950.75 | (50.00) | 3,254.23 | 705.44 |
| Library | 896.52 | 817.39 | (300.00) | 976.25 | 437.66 |
| Daily Living Center | 3,404.08 | 974.00 | (275.00) | 818.22 | 3,284.86 |
| Art Club | 1,029.04 | 905.00 | - | 961.00 | 973.04 |
| Band | 6,546.03 | 6,820.00 | (1,320.89) | 8,143.03 | 3,902.11 |
| Band Boosters | 6,319.94 | 21,315.00 | (1,186.44) | 12,918.36 | 13,530.14 |
| Band Touring | 6,624.45 | 22,142.19 | 4,594.00 | 27,586.53 | 5,774.11 |
| Journalism | 106.15 | 436.00 | - | 468.88 | 73.27 |
| Mu Alpha Theta | 589.39 | 475.00 | - | 640.73 | 423.66 |
| National Honor Society | 1,147.13 | 230.00 | - | 524.08 | 853.05 |
| Sciecne Club | 621.25 | 58.00 | - | 75.00 | 604.25 |
| Thespians | 747.22 | 1,669.00 | - | 2,020.27 | 395.95 |
| Musical | 140.21 | - | - | - | 140.21 |
| Student Council | 3,230.62 | 13,122.23 | (12.00) | 15,688.98 | 651.87 |
| Yearbook | 5,885.91 | 17,382.57 | (1,529.23) | 10,509.36 | 11,229.89 |
| Key Club | 1,333.12 | - | - | - | 1,333.12 |
| Band Uniforms | 1,466.20 | 360.00 | 540.00 | 679.85 | 1,686.35 |
| PSAT/AP Test | 2,315.05 | 7,322.00 | - | 6,624.00 | 3,013.05 |
| Special Olympics | 784.13 | - | - | - | 784.13 |
| Class of 2013 | 588.40 | 880.00 | - | 308.15 | 1,160.25 |
| Special Olympics Unified | 2,088.02 | 2,132.88 | 225.00 | 3,310.36 | 1,135.54 |
| Transportation | 251.04 | 404.70 | - | 337.42 | 318.32 |
| Bear Crew | 85.80 | - | - | - | 85.80 |
| Robotics | 343.54 | - | - | - | 343.54 |
| Grants | 184.97 | - | - | - | 184.97 |
| Shout Week | 1,430.19 | 19,885.94 | 400.00 | 5,809.20 | 15,906.93 |
| Sub -Total | \$ 90,135.51 | \$ 284,472.73 | \$ 6,943.24 | \$ 270,004.89 | \$ 111,546.59 |
| Athletics | | | | | |
| General Supply | \$ 56,962.16 | \$ 78,431.80 | \$ (915.28) | \$ 95,650.32 | \$ 38,828.36 |
| Baseball | 10,013.58 | 16,226.33 | - | 18,853.40 | 7,386.51 |
| HS Boys Basketball | 5,451.01 | 3,238.00 | (913.75) | 5,083.71 | 2,691.55 |
| Power Lifters/Football | 2,766.85 | 6,690.00 | 33.82 | 8,984.13 | 506.54 |
| HS Fastpitch | 2,648.66 | 722.56 | - | 1,658.58 | 1,712.64 |
| HS Girls Basketball | 6,381.10 | 5,968.00 | 62.00 | 10,657.10 | 1,754.00 |
| Cross Country | 722.20 | - | - | - | 722.20 |

continued

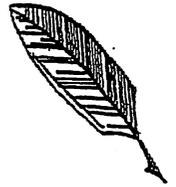
NOBLE SCHOOL DISTRICT NO. I-40
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

| Activities | Balance 7-1-10 | Deposited | Net Transfers/ Adjustments | Disbursed | Balance 6-30-11 |
|-------------------------|-------------------|---------------|----------------------------------|---------------|--------------------|
| HS Wrestling | 941.44 | 11,604.14 | (682.15) | 7,426.99 | 4,436.44 |
| Soccer | 7,958.33 | 4,759.58 | 39.00 | 7,057.75 | 5,699.16 |
| HS Girls Track | 947.16 | - | - | 30.00 | 917.16 |
| HS Volleyball | 805.05 | 3,086.64 | 92.80 | 2,771.27 | 1,213.22 |
| HS Cheerleaders | 9,880.17 | 14,947.52 | - | 16,086.71 | 8,740.98 |
| 7th/8th Cheerleaders | 4,941.76 | 1,829.30 | (58.30) | 5,545.77 | 1,166.99 |
| BB Scholarship Fund | 65.65 | - | - | - | 65.65 |
| HS Golf | 605.15 | 270.00 | 64.00 | 585.46 | 353.69 |
| Volleyball Booster Club | 800.00 | 1,520.00 | - | 1,106.00 | 1,214.00 |
| Suburban Conference | 5,381.17 | 11,520.00 | 820.00 | 10,437.23 | 7,283.94 |
| MS Girls Basketball | 508.94 | - | - | - | 508.94 |
| HS Slow Pitch | 826.28 | 262.49 | - | 411.28 | 677.49 |
| Athletic Scholarship | 4,097.91 | 2,247.00 | - | 3,000.00 | 3,344.91 |
| MS Baseball | 180.00 | - | - | - | 180.00 |
| MS Football | 1,169.89 | - | - | - | 1,169.89 |
| MS Track | 185.77 | - | - | - | 185.77 |
| MS Volleyball | 1,725.96 | 2,730.00 | 119.96 | 3,553.84 | 1,022.08 |
| MS Boys Basketball | 693.84 | - | - | - | 693.84 |
| Sub -Total | \$ 126,660.03 | \$ 166,082.36 | \$ (1,337.90) | \$ 198,899.54 | \$ 92,504.95 |
| Total Activities | \$ 317,758.67 | \$ 599,269.56 | \$ 6,172.93 | \$ 617,346.30 | \$ 305,854.86 |

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S 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
Noble School District No. I-40
Cleveland County, Oklahoma

I have audited the combined financial statements – regulatory basis of Noble School District No. I-40 (the "District"), Noble, Oklahoma, as of and for the year ended June 30, 2011, which have been prepared on a basis prescribed by the laws of the state of Oklahoma and have issued my report thereon dated February 11, 2012. 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 Noble School 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 Noble School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

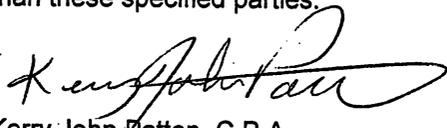
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

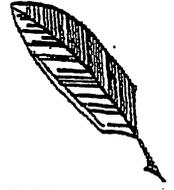
As part of obtaining reasonable assurance about whether Noble School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. I noted certain immaterial instances of noncompliance that I have reported to management in the Schedule of Comments included on page 35 of this audit report.

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


Kerry John Patten, C.P.A.
February 11, 2012

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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

The Honorable Board of Education
Noble School District No. 1-40
Cleveland County, Oklahoma

Compliance

I have audited the compliance of Noble School District 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. Noble School District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above is the responsibility of Noble School District's management. My responsibility is to express an opinion on Noble School 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Noble School 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 Noble School District's compliance with those requirements.

In my opinion, Noble School District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

Internal Control over Compliance

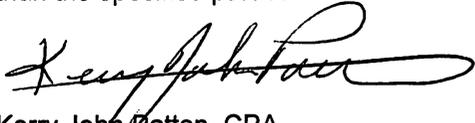
The management of Noble School District is responsible for establishing and maintaining effective internal control over compliance with compliance requirements referred to above. In planning and performing my audit, I considered Noble School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Internal Control over Compliance
Page 2

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses, as defined above.

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

A handwritten signature in black ink, appearing to read "Kerry John Patten". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kerry John Patten, CPA
February 11, 2012

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Noble School District, as to the regulatory basis of accounting.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Noble School District which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A. standards.
5. The auditor's report on compliance for the major federal award programs for Noble School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to major federal award programs for Noble School District that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs included: Special Education Cluster (84.027, 84.173, 84.391A & 84.392A); Child Nutrition Cluster (10.555, 10.553 10.559) & ARRA, Education Stabilization Fund (84.394).
8. A threshold for distinguishing Types A and B programs was \$300,000.00.
9. Noble School District was determined to be a low-risk auditee for purposes of determining overall percentage of Federal compliance testing.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported.

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2010 TO JUNE 30, 2011**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The school district had no prior year audit findings relative to federal award programs.

**NOBLE SCHOOL DISTRICT NO. I-40
CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2010 TO JUNE 30, 2011**

The following conditions, while not representing material weaknesses in the system of internal accounting control, represent areas noted during my review of the school's accounting system in which I feel improvements in the internal control and/or operational efficiency may be attained. I have also noted, as required, any noncompliance with State Department of Education Regulations.

- *I. **Condition:** We determined that out of forty-three tests of activity sponsor receipts traced to related deposits, there were fourteen instances in which the sponsor receipts were not deposited on a timely basis. These sponsor receipts were deposited from five to twenty days after the monies were collected.

Additionally, we noted the Hubbard Custodian is not making receipts out to a person.

Recommendation: The School Board should ensure that all activity sub-account sponsors deposit monies by the end of the next business day, if collections exceed \$100.00 or at least weekly if under \$100.00 with the Activity Fund custodian and retain their copy of the receipt issued by the custodian.

Furthermore, custodian receipts should be completely filled out showing the date, the person from whom money was received, the source or other pertinent information describing the nature of the collection.

- II. **Condition:** We discussed with school personnel the importance of completing a fundraiser reconciliation/profit and loss form. All inventory ordered should be tracked, any inventory loss should be accounted for. All monies collected should be able to be traced to the receipts.

Recommendation: It is important for the sponsor of a fundraising activity to be accountable for that fundraiser. Cash controls and sales reports provide information about the profitability of each activity and controls over inventory and funds. Controls and procedures need to be developed around the two factors of all fundraisers: inventory and cash. Procedures established should ensure that all inventories for resale is safeguarded and accounted for, all sales are identified, and receipts are timely deposited. Profit and loss statements should be prepared on each fundraiser (or monthly if fundraiser is ongoing through the year) and presented to the School Activity Fund Custodian. Losses, or less than expected profit, should be investigated and corrective action taken as needed.

Previous Year's Audit Comments

Excluding conditions marked with an asterisk, there are no other items in the 2009-10 audit report, which have been repeated in this report.

I would like to express my appreciation for the courtesies and cooperation extended to us by school district administrators and employees during the course of this audit.

**NOBLE SCHOOL DISTRICT NO. 1-40
CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2010 TO JUNE 30, 2011**

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm 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 Noble School District for the audit year 2010-11.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY *Kerry John Patten*

AUTHORIZED AGENT



Subscribed and sworn to before me on this

10th day of February, 2012

Courtney D. Odom

NOTARY PUBLIC

My commission expires on:

8th day of July, 2015