

**OKARCHE INDEPENDANT SCHOOL  
DISTRICT I-105  
KINGFISHER COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS  
JUNE 30, 2011**

**With Independant Auditors'  
Report Thereon**

**OKARCHE SCHOOL DISTRICT NUMBER I-105**  
**Kingfisher County, Oklahoma**

**School District Officials**  
**June 30, 2011**

**Board of Education**

**President**  
**Vice-President**

**Shawn Vogt**  
**Stephanie Jeffrey**

**Member**  
**Member**  
**Member**

**Beth Schieber**  
**David Craig**  
**Rick Osterholt**

**Clerk of Board of Education**

**Beth Schieber**

**School District Treasurer**

**Kingfisher County Treasurer**

**Superintendent of Schools**

**David Glover 2011-2012**

**Robert Barnett 2010-2011**

**OKARCHE INDEPENDENT SCHOOL DISTRICT I-105**  
**Kingfisher County, Oklahoma**  
**JUNE 30, 2011**  
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Kingfisher County, Oklahoma  
JUNE 30, 2011  
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**INDEPENDENT AUDITOR'S REPORT**

December 5, 2011

The Honorable Board of Education  
Okarche School District Number I-105  
Okarche, Kingfisher County, Oklahoma

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Okarche School District Number I-105, Okarche, Kingfisher County, Oklahoma (District), as listed in the table of contents as combined financial statements as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Okarche School District Number I-105, Okarche, Kingfisher County, Oklahoma as of June 30, 2011, and the respective changes in financial position thereof for the year then ended.

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Okarche School District Number I-105  
December 5, 2011

However, in our opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of each fund type and account group of Okarche School District Number I-105, Okarche, Kingfisher County, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the fund type financial statements within the combined financial statements. The accompanying supplementary information as listed in the table of contents is not a required part of the combined financial statements of the District. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Storm & Hauser, P.C.*

Storm & Hauser, P.C.  
Certified Public Accountants

COMBINED FINANCIAL STATEMENTS

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINED STATEMENT OF ASSETS & LIABILITIES &  
FUND BALANCES - ALL FUND TYPES AND ACCOUNT GROUPS  
REGULATORY BASIS  
June 30, 2011

ASSETS	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 636,131	\$ 155,146	\$ 564,639
Investments	-	-	-
Amount available in Debt Service Fund	-	-	-
Amounts to be provided for retirement of general long term debt	-	-	-
<b>Total Assets</b>	<u>636,131</u>	<u>155,146</u>	<u>564,639</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	55,987	4,598	-
Encumbrances outstanding	0	0	-
Due to Student Groups	-	-	-
Long-term debt			
Bonds Payable	-	-	540,000
Interest Payable	-	-	3,713
<b>Total liabilities</b>	<u>55,987</u>	<u>4,598</u>	<u>543,713</u>
Fund Balances:			
Restricted for:			
Capital Projects		-	-
Debt Service		-	20,926
Building Projects		116,589	
Nutrition		33,959	
Unassigned	580,144	-	-
<b>Total Liabilities and Fund Balances</b>	<u>636,131</u>	<u>155,146</u>	<u>564,639</u>

The accompanying 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>Agency</u>		<u>General Long-Term Debt</u>	
\$ 235,101	150,904	-	-	1,741,921
-	-	-	-	0
-	-	-	-	0
-	-	0	0	0
<u>\$ 235,101</u>	<u>150,904</u>	<u>0</u>	<u>0</u>	<u>1,741,921</u>

238	-	-	-	60,823
0	-	-	-	0
-	150,904	-	-	150,904
-	-	0	0	540,000
-	-	-	-	3,713
<u>238</u>	<u>150,904</u>	<u>0</u>	<u>0</u>	<u>755,440</u>

234,863	-	-	-	234,863
-	-	-	-	20,926
-	0	-	-	116,589
-	-	-	-	33,959
-	-	-	-	580,144
<u>\$ 235,101</u>	<u>150,904</u>	<u>0</u>	<u>0</u>	<u>1,741,921</u>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Fund Types</u>		
	General	Special Revenue	Debt Service
Revenue Collected:			
Local Sources	\$ 15,033	48,190	19
Intermediate Sources	967,820	127,859	579,204
State Sources	761,784	2,252	-
Federal Sources	141,191	38,495	-
Total Revenue Collected	<u>\$ 1,885,828</u>	<u>216,796</u>	<u>579,223</u>
Expenditures Paid:			
Instruction	1,371,894	0	-
Support Services	495,064	130,751	-
Non-Instruction Services	0	88,962	-
Capital Outlay	0	1,600	-
Other Outlays	7,412	508	0
Debt Service:			
Principal Retirement	-	-	540,000
Interest and Agent Fees	-	-	18,562
Total Expenditures Paid	<u>\$ 1,874,370</u>	<u>221,821</u>	<u>558,562</u>
Excess of Revenues Collected Over (Under) Expenses Paid	<u>\$ 11,458</u>	<u>(5,025)</u>	<u>20,661</u>
Adj. to Prior Year Encumbrances	-	-	-
Other Financing Sources (Uses):			
Bond Proceeds	-	0	-
Operating Transfers In	0	0	-
Operating Transfers Out	-	0	-
Total Other Fin. Sources (Uses)	<u>-</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenue collected over expend. paid and other fin. sources(uses)	11,593	(5,025)	20,661
Cash fund balance, July 1, 2010	568,551	155,573	265
Cash fund balance, June 30, 2011	<u>\$ 580,144</u>	<u>150,548</u>	<u>20,926</u>

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

Governmental Fund Types	Capital Projects	Total ( Memorandum Only )
\$	553,600	616,842
	-	1,674,883
	-	764,036
	-	179,686
\$	<u>553,600</u>	<u>3,235,447</u>
	-	1,371,894
	-	625,815
	-	88,962
	555,426	557,026
	-	7,920
	-	540,000
	-	18,562
\$	<u>555,426</u>	<u>3,210,179</u>
\$	(1,826)	25,268
	<u>0</u>	<u>135</u>
	0	0
	0	0
	-	0
	<u>0</u>	<u>0</u>
	(1,826)	25,403
	236,689	961,078
\$	<u>234,863</u>	<u>986,481</u>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue Collected:			
Local Sources	0	15,033	15,033
Intermediate Sources	901,485	967,820	66,335
State Sources	601,449	761,784	160,335
Federal Sources	0	141,191	141,191
Total Revenue Collected	<u>1,502,934</u>	<u>1,885,828</u>	<u>382,894</u>
Expenditures Paid:			
Instruction	1,494,859	1,371,894	122,965
Support Services	565,501	495,064	70,437
Non-Instruction Services	0	0	0
Capital Outlay	0	0	0
Other Outlays	11,125	7,412	3,713
Debt Service Retirement	0	0	0
Interest And Agent Fees	0	0	0
Total Expenditures Paid	<u>2,071,485</u>	<u>1,874,370</u>	<u>197,115</u>
Excess of Revenues Collected Over (Under) Expenses Paid	<u>(568,551)</u>	<u>11,458</u>	<u>580,009</u>
Adj. to Prior Year Encumbrances	<u>0</u>	<u>135</u>	<u>135</u>
Other Financing Sources (Uses):			
Insurance Proceeds	-	-	-
Operating Transfers In	-	0	0
Operating Transfers Out	-	-	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	<u>(568,551)</u>	<u>11,593</u>	<u><u>580,144</u></u>
Cash Fund Balance, July 1, 2010	568,551	568,551	
Cash Fund Balance, June 30, 2011	<u><u>0</u></u>	<u><u>580,144</u></u>	

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

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
41,000	48,190	7,190
122,610	127,859	5,249
2,000	2,252	252
30,000	38,495	8,495
<u>195,610</u>	<u>216,796</u>	<u>21,186</u>
0	0	0
242,086	130,751	111,335
106,797	88,962	17,835
1,600	1,600	0
700	508	192
0	0	0
0	0	0
<u>351,183</u>	<u>221,821</u>	<u>129,362</u>
(155,573)	(5,025)	150,548
<u>0</u>	<u>0</u>	<u>0</u>
-	0	0
-	0	0
-	0	0
<u>0</u>	<u>0</u>	<u>0</u>
(155,573)	(5,025)	<u>150,548</u>
155,573	155,573	
<u>0</u>	<u>150,548</u>	



Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2011

continued

	Debt Service		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue Collected:			
Local Sources	0	19	19
Intermediate Sources	0	579,204	579,204
State Sources	0	0	0
Federal Sources	0	0	0
Total Revenue Collected	<u>0</u>	<u>579,223</u>	<u>579,223</u>
Expenditures Paid:			
Instruction	0	0	0
Support Services	0	0	0
Non-Instruction Services	0	0	0
Capital Outlay	0	0	0
Other Outlays	0	0	0
Debt Service Retirement	0	540,000	(540,000)
Interest And Agent Fees	34	18,562	(18,528)
Total Expenditures Paid	<u>34</u>	<u>558,562</u>	<u>(558,528)</u>
Excess of Revenues Collected Over (Under) Expenses Paid	(34)	20,661	20,695
Adj. to Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	0	0
Operating Transfers Out	-	-	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	(34)	20,661	<u>20,695</u>
Cash Fund Balance, July 1, 2010	265	265	
Cash Fund Balance, June 30, 2011	<u>231</u>	<u>20,926</u>	

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



**OKARCHE SCHOOL DISTRICT NUMBER I-105**  
**Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Okarche School District Number I-105, Okarche, Kingfisher County, Oklahoma (the "District") conform to the regulatory basis of accounting, which is another 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 American. 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 State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education (Board) composed of five elected members. The appointed superintendent is the executive officer of the District. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other government "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the District. There are not component units (entities considered to be financially accountable to the District).

**B. Measurement Focus**

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus (Continued)**

minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The District has the following fund types and account groups:

**Governmental funds** – are used to account for most of the District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. 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 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.

Governmental funds include the following fund types:

**General fund** – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. 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 services on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds. The operation of the District's school cafeteria is reported as part of the General fund and consists of monies derived from federal and state financial assistance and food sales.

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue fund is composed of the District's Building Fund and Child Nutrition Fund. These are budgeted funds and any fund balances are considered as resources available for use.

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 school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Debt Service fund – consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Project fund – consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

**Fiduciary funds** – account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the District.

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

General Long-term Debt Account Group – accounts for the outstanding principal balances of all long-term debt of the District, which is offset by

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal.

**D. 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* with certain modifications. This format differs significantly from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- 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.
- A General Fixed Asset Account Group is required or expected by the Department of Education and is presented in such an account group but not depreciated.

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.

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures**

**1. Deposits and Investments**

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and

**OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

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. The School District invests entirely in certificates of deposit, U.S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and investments. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

The preparation of financial statements in conformity with the regulatory basis of accounting required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**4. Interfund Transactions**

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**5. 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.

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**6. Fixed Assets**

The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General Fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

**7. Compensated Absences**

The District provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

**8. Long-term Obligations**

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. The purpose for each reservation is indicated by the account title on the face of the financial statements.

**9. Fund Balances**

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned, or unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restrict amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to the other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

#### 10. Property Taxes and Other Local Revenues

The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes 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 assessment. If not paid by the following October 1, the property is offered for sale for the amount of the 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 purchases is issued a deed to the property. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

**OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Fund Balance, Revenue and Expenditures (Continued)**

**11. Intermediate Revenues**

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

**12. State Revenues**

Revenues from state sources for current operations are primarily governed by 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.

**13. Federal Revenues**

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

**14. Non-Monetary Transactions**

The District receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

**15. Memorandum Only – Total Columns**

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

**16. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read. Certain previously reported amounts have been reclassified to conform to current year classifications.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. 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 as original budget and final budget.

Encumbrances represent commitments related 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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

**OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

**Custodial Credit Risk**

At June 30, 2011, the District held deposits of approximately \$ 1,231,540 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**Investment Interest Rate Risk**

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

**Investment Credit Risk**

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

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentions in the previous paragraphs (1-5).

The District's cash deposits and investments, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011**

Therefore, the District's cash deposits and investments were not exposed to custodial credit risk, investment credit risk, investment interest rate risk, or concentration of investment credit risk.

**B. Long-term Debt**

**General Obligation Bonds**

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

On May 12<sup>th</sup>, 2009, the District passed a bond issue for capital improvements in the amount of \$ 7,195,000. The General Obligation bonds are to be issued in series and the first series were issued on July 1, 2009 in the amount of \$ 540,000.00 with the balance of \$ 6,655,000 in Revenue Notes.

**Amount Outstanding**

\$540,000 Building Bonds, Series 2009 in the amount of \$540,000 with an effective interest rate of 1.65 %. Annual installments of one payment, \$ 540,000 due 8/01/11.

\$550,000 Building Bonds, Series 2010 in the amount of \$550,000 with an effective interest rate of 1.35 %. Annual installments of one payment, \$ 550,000 due 7/01/11.

Annual debt service requirements to maturity are as follows:

Year	General		
Ended	Obligation Bonds		Total
June 30	Principal	Interest	Requirement
2011	540,000	743	540,743
2012	550,000	15,593	565,593
2013	000	000	000
2014	000	000	000
<b>Total</b>	<b>1,090,000</b>	<b>16,336</b>	<b>1,106,336</b>

**Capital Leases**

The District entered into a financing agreement to assist with financing of the building of the High School. A Revenue Bond was issued by Okarche Economic Development Authority (OEDA) and the District makes the following lease payments:

**OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011**

Year Ending	
June 30,	<u>OEDA</u>
2012	552,150
2013	562,050
2014	576,900
2015	586,800
2016	596,700
2017	611,550
2018	621,450
2019	636,300
2020	1,278,300
2021	
<b>Total</b>	<b>6,022,200</b>

**C. Changes in General Long-term Debt**

General long-term debt consists of Bonds Payable and Capital Lease Payable. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Bonds Payable	540,000	550,000	0	1,090,000
Capital Lease	6,564,450	0	542,250	6,022,200

**4. OTHER INFORMATION**

**A. 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 a 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.

**OKARCHE SCHOOL DISTRICT NUMBER I-105**  
**Kingfisher County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS**  
**June 30, 2011**

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.

**A. Risk Management**

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than the 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account, they would be liable for the excess.

**B. Contingent Liabilities**

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

**C. Non-Monetary Transactions**

The fair market value as determined by the Oklahoma Department of Human Services of the commodities received during the period under audit was \$ 7,752.

**D. Employee Retirement System and Plan**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides

OKARCHE SCHOOL DISTRICT NUMBER I-105  
Kingfisher County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS  
June 30, 2011

retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The District's total contributions for 2011, 2010, and 2009 were \$ 83,946, \$ 96,776, and \$ 97,961 respectively.

## SUPPORTING SCHEDULES

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND CASH FUND BALANCES  
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
June 30, 2011

Governmental Fund Types

ASSETS	Building Fund	Nutrition Fund
Cash and cash equivalents	\$ 119,763	\$ 35,383
Investments	0	0
<b>Total Assets</b>	<b>\$ <u>119,763</u></b>	<b>\$ <u>35,383</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b>Liabilities:</b>		
Warrants payable	\$ 3,174	1,424
Encumbrances outstanding	0	0
<b>Total Liabilities</b>	<b><u>3,174</u></b>	<b><u>1,424</u></b>
<b>Fund Balances:</b>		
Restricted	116,589	33,959
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>119,763</u></b>	<b>\$ <u>35,383</u></b>

	Insurance Fund		Total
\$	0	\$	155,146
	0		0
\$	<u>0</u>	\$	<u>155,146</u>

	0		4,598
	0		0
	<u>0</u>		<u>4,598</u>
	0		150,548
\$	<u>0</u>	\$	<u>155,146</u>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund	Nutrition Fund	
Revenue Collected:			
Local Sources	\$ 1	\$ 48,189	
Intermediate Sources	127,859	0	
State Sources	4	2,248	
Federal Sources	0	38,495	
Total Revenue Collected	127,864	88,932	
Expenditures Paid:			
Instruction	0	0	
Support Services	130,751	0	
Non-Instruction Services	0	88,962	
Capital Outlay	1,500	100	
Other Outlays	0	508	
Total Expenditures Paid	132,251	89,570	
Excess of Revenues Collected Over (Under) Expenses Paid Before Adjustments to Prior Year Encumbrances	(4,387)	(638)	
Adj. to Prior Year Encumbrances	0	0	
Other Financing Sources (Uses):			
Insurance Proceeds	0	0	
Operating Transfers In	0	0	
Operating Transfers Out	0	0	
Total Other Fin. Sources (Uses)	0	0	
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	(4,387)	(638)	
Cash Fund Balance, July 1, 2010	120,976	34,597	
Cash Fund Balance, June 30, 2011	\$ 116,589	\$ 33,959	

	Insurance Fund		Total
\$	0	\$	48,190
	0		127,859
	0		2,252
	0		38,495
	<u>0</u>		<u>216,796</u>
	0		0
	0		130,751
	0		88,962
	0		1,600
	0		508
	<u>0</u>		<u>221,821</u>
	0		(5,025)
	<u>0</u>		<u>0</u>
	0		0
	0		0
	0		0
	<u>0</u>		<u>0</u>
	0		(5,025)
	0		155,573
\$	<u>0</u>	\$	<u>150,548</u>



Okarche Independent School District I-105  
Kingfisher County, Oklahoma  
BUDGETARY COMPARISON SCHEDULE - COMBINED SPECIAL REVENUE FUNDS  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund		Nutrition Fund		Combined Spec. Rev.	
	Budget	Actual	Budget	Actual	Budget	Actual
Fund Balances, beginning	120,976	120,976			155,573	155,573
Revenue Collected:						
Local Sources	0	1				
Intermediate Sources	122,610	127,859	41,000	48,189	41,000	48,190
State Sources	0	4	0	0	122,610	127,859
Federal Sources	0	0	2,000	2,248	2,000	2,252
Total Revenue Collected	122,610	127,864	30,000	38,495	30,000	38,495
Expenditures Paid:					195,610	216,796
Instruction	0	0				
Support Services	242,086	130,751	0	0	0	0
Non Instruction Services	0	0	0	0	242,086	130,751
Capital Outlay	1,500	1,500	106,797	88,962	106,797	88,962
Other Outlays	0	0	100	100	1,600	1,600
Total Expenditures Paid	243,586	132,251	700	508	700	508
Excess of Revenues Collected Over (Under) Expenses Paid Before Adjustments to Prior Year Encumbrances	0	(4,387)	0	(638)	0	(5,025)
Other Financing sources (uses):						
Lapsed appropriations						
Cash Fund Balance, End of Year	116,589	0	33,959	0	150,548	0

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
CAPITAL PROJECT FUNDS - REGULATORY BASIS  
June 30, 2011

<u>ASSETS</u>	<u>2003 Transportation Bond Fund</u>	<u>2003 Combined Bond Fund</u>
Cash and Cash Equivalents	\$ 0	\$ 3,228
Investments	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 3,228</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Warrants Payable	0	0
Encumbrances Outstanding	0	0
Total Liabilities	<u>0</u>	<u>0</u>
Fund Balances:		
Restricted	0	3,228
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 3,228</u>

2009  
Building  
Bond Fund

Total

\$	231,873	\$	235,101
	0		0
\$	<u>231,873</u>	\$	<u>235,101</u>

	238		238
	0		0
	<u>238</u>		<u>238</u>

	231,635		234,863
\$	<u>231,873</u>	\$	<u>235,101</u>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
IN FUND BALANCES - CAPITAL PROJECTS FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2003 Transportation Bond Fund</u>	<u>2003 Combined Bond Fund</u>
Revenue Collected:		
Local Sources	\$ 0	\$ 0
Intermediate Sources	0	0
State Sources	0	0
Federal Sources	0	0
Total Revenue Collected	<u>0</u>	<u>0</u>
Expenditures paid:		
Instruction	0	0
Support Services	0	0
Non-Instruction Services	0	0
Capital Outlay	965	2,719
Other Outlays	0	0
Total Expenditures Paid	<u>965</u>	<u>2,719</u>
Excess of Revenues Collected Over (Under) Expenses Paid	(965)	(2,719)
Adj. to Prior Year Encumbrances	<u>0</u>	<u>0</u>
Other Financing Sources (Uses):		
Bond Proceeds	0	0
Operating Transfers In	0	0
Operating Transfers Out	0	0
Total Other Fin. Sources (Uses)	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Collected Over Expend. Paid and Other Fin. Sources (Uses)	(965)	(2,719)
Cash Fund Balance, July 1, 2010	965	5,947
Cash Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 3,228</u>

2009 Building Bond Fund	Total
\$ 553,600	\$ 553,600
0	0
0	0
0	0
<u>553,600</u>	<u>553,600</u>
0	0
0	0
0	0
551,742	555,426
0	0
<u>551,742</u>	<u>555,426</u>
1,858	(1,826)
<u>0</u>	<u>0</u>
0	0
0	0
0	0
<u>0</u>	<u>0</u>
1,858	(1,826)
229,777	236,689
<u>\$ 231,635</u>	<u>\$ 234,863</u>



Okarche Independent School District I-105  
Kingfisher County, Oklahoma

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
- ALL AGENCY FUNDS - REGULATORY BASIS  
JUNE 30, 2011**

Activity Funds:	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
F.F.A. - CD	\$ 9,923.44	\$ 140.47	\$ 0.00	\$ 10,063.91
PETTY CASH	0.00	235.00	235.00	0.00
BOYS BASKETBALL	7,240.72	12,296.99	14,285.34	5,252.37
MISCELLANEOUS	11,787.55	10,113.16	9,947.71	11,953.00
CLASS 2015	0.00	430.00	369.09	60.91
EDUCATION FOUNDATION	15,787.90	14,263.91	14,974.36	15,077.45
ALL SPORTS ASSOCIATION	1,769.99	35,376.11	19,149.01	17,997.09
STUDENT COUNCIL	715.55	9,831.78	9,247.82	1,299.51
ELEMENTARY MISCELLANEOUS	1,681.22	10,812.93	10,034.34	2,459.81
ELEMENTARY LIBRARY	1,280.70	914.21	1,105.92	1,088.99
NATIONAL HONOR SOCIETY	209.26	476.55	640.33	45.48
BETA CLUB	10,470.26	3,161.00	5,151.49	8,479.77
SOFTBALL	6,944.84	1,738.31	5,682.62	3,000.53
YEARBOOK	13,261.48	10,375.00	9,371.56	14,264.92
SPEECH	157.75	7,260.44	6,887.95	530.24
LIBRARY	1,043.10	280.00	144.58	1,178.52
WOOD SHOP	1,903.32	2,392.86	2,133.11	2,163.07
LETTERMANS CLUB	597.34	600.00	366.04	831.30
FCCLA	995.90	4,015.30	3,062.18	1,949.02
VOCAL MUSIC	5,642.39	0.00	754.00	4,888.39
JR HIGH CHEERLEADERS	2,219.74	8,882.95	11,071.50	31.19
SENIOR HIGH CHEERLEADERS	3,530.31	10,814.94	12,562.96	1,782.29
F.C.A.	526.24	0.00	46.69	479.55
COMMUNITY EDUCATION	77.13	0.00	0.00	77.13
TECHNOLOGY EDUCATION	2,263.76	5,668.00	5,357.71	2,574.05
F. F. A.	16,243.41	31,151.00	32,603.87	14,790.54
CLASS OF 2010	449.22	310.63	759.85	0.00
CLASS OF 2011	4,743.47	180.00	3,044.64	1,878.83
AFTER PROM PROJECT	4,117.98	5,613.96	6,771.32	2,960.62
CLASS OF 2013	2,201.86	420.00	0.00	2,621.86
CLASS OF 2012	3,404.43	6,383.29	7,417.54	2,370.18
ELEMENTRY P.E.	3,391.39	1,643.54	1,140.81	3,894.12
CLASS OF 2014	7.06	1,104.85	0.00	1,111.91
H.S. GUARDIAN ANGEL	275.66	0.00	0.00	275.66
ELEM. GUARDIAN ANGEL	274.22	0.00	0.00	274.22
WHEATLAND RURAL ED	10,629.51	0.00	10,629.51	0.00
GIRLS ATHLETICS	9,624.75	9,978.04	13,686.73	5,916.06
RECYCLING	887.77	2,030.78	1,751.96	1,166.59
BOYS BASEBALL	3,777.61	11,233.12	15,009.76	0.97
MARK SCHROEDER FUND	1,016.00	0.00	0.00	1,016.00
GOLF	1,385.66	2,351.20	3,519.92	216.94
MOCK TRIAL	478.63	0.00	263.02	215.61
TAPS	9,139.29	20,195.83	24,695.03	4,640.09
LOCAL LUNCH COLLECTIONS	25.00	48,038.21	48,038.21	25.00
<b>Total Activity Fund Balances</b>	<b>\$ 172,102.81</b>	<b>\$ 290,714.36</b>	<b>\$ 311,913.48</b>	<b>\$ 150,903.69</b>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
- ALL AGENCY FUNDS - REGULATORY BASIS  
JUNE 30, 2011**

**ASSETS**

Cash	\$	<u>172,102.81</u>	\$	<u>290,714.36</u>	\$	<u>311,913.48</u>	\$	<u>150,903.69</u>
<b>TOTAL ASSETS</b>	\$	<u><u>172,102.81</u></u>	\$	<u><u>290,714.36</u></u>	\$	<u><u>311,913.48</u></u>	\$	<u><u>150,903.69</u></u>

**LIABILITES**

Due to Student Groups	\$	<u>172,102.81</u>	\$	<u>290,714.36</u>	\$	<u>311,913.48</u>	\$	<u>150,903.69</u>
<b>TOTAL LIABILITES</b>	\$	<u><u>172,102.81</u></u>	\$	<u><u>290,714.36</u></u>	\$	<u><u>311,913.48</u></u>	\$	<u><u>150,903.69</u></u>

Okarche Independent School District I-105  
Kingfisher County, Oklahoma  
Schedule of Expenditures of Federal Awards - Regulatory Basis  
July 1, 2010 to June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Deferred Revenue Acct. Rec. 6-30-10	Federal Receipts FYE 2011	Federal Expenditures FYE 2011	Deferred Revenue Acct. Rec. 6-30-2011
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<b>Passed Through State Department of Education:</b>					
Title I-ARRA	84.010	0	19,587	19,587	0
Title I-ARRA	84.389	0	2,514	2,514	0
Title II	84.367	0	15,051	36,656	21,605
Title II	84.318	0	91	91	0
IDEA Flow Thru	84.391	0	12,990	12,990	0
IDEA Flow Thru	84.391	0	0	38,231	38,231
Carl Perkins	84.403	0	3,417	3,417	0
R.E.A.P.-SRSA Grant	84.358	0	21,252	21,252	0
ARRA-Stabil Fund	84.394	0	66,289	66,289	0
		0	37,110	37,110	0
		0 \$	178,301 \$	238,137 \$	59,836
<b>Passed Through State Department of Vo-Tech:</b>					
Vocational Education	84.048				
Sub-Total					
		0	37,110	37,110	0
		0 \$	178,301 \$	238,137 \$	59,836
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<b>Passed Through State Department of Education:</b>					
National School Lunch	10.555	0	38,495	38,495	0
<b>Passed Through State Department of Human Services:</b>					
Commodities (2)	10.550	0	7,752	7,752	0
Sub-Total		0 \$	46,247 \$	46,247 \$	0
Total Federal Assistance Expenditures		0 \$	224,548 \$	284,384 \$	59,836

(2) Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

John R. Storm, C.P.A.  
Karen L. Hauser, C.P.A.

*Storm & Hauser, P.C.*  
Certified Public Accountants

405.375.4152  
FAX 405.375.5023

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750  
stormhauser@pldi.net

**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**

December 5, 2011

The Honorable Board of Education  
Okarche School District Number I-105  
Okarche, Kingfisher County, Oklahoma

We have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Okarche School District Number I-105, Okarche, Kingfisher County, Oklahoma (District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011, which was adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and

Okarche School District Number I-105  
December 5, 2011

grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*Storm & Hauser, P.C.*

Storm & Hauser, P.C.  
Certified Public Accountants

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

SCHEDULE OF FINDINGS

July 1, 2010 to June 30, 2011

PRIOR YEAR'S FINDINGS

( July 1, 2009 to June 30, 2010 )

None

CURRENT YEAR'S FINDINGS

None

Okarche Independent School District I-105  
Kingfisher County, Oklahoma

MANAGEMENT'S RESPONSE TO FINDINGS

July 1, 2010 to June 30, 2011

PRIOR YEAR'S FINDINGS

( July 1, 2009 to June 30, 2010 )

None

CURRENT YEAR'S FINDINGS

None

OKARCHE INDEPENDENT SCHOOL DISTRICT I-105  
KINGFISHER COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma            )  
  ) ss  
County of KINGFISHER    )

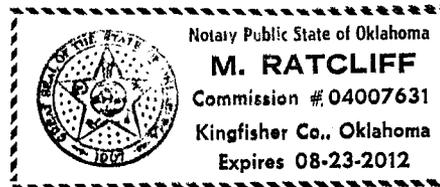
The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Okarche Independent School District I-105 for the audit year 2010-2011.

STORM & HAUSER, P.C.  
Auditing Firm

By *Karen L. Hauser*  
Authorized Agent

Subscribed and sworn to before me this 5th day of December, 2011.

*M. Ratcliff*  
Notary Public



OKARCHE INDEPENDENT SCHOOL DISTRICT I-105  
KINGFISHER COUNTY, OKLAHOMA

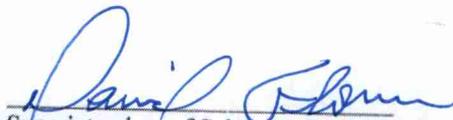
AUDIT ACKNOWLEDGMENT  
FOR THE YEAR ENDED JUNE 30, 2011

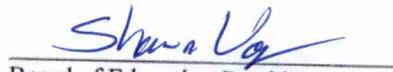
The annual independent audit for the Okarche Independent School District I-105, was presented to the Board of Education in an Open Board Meeting on Dec. 12, 2011 by Storm & Hauser, P.C.

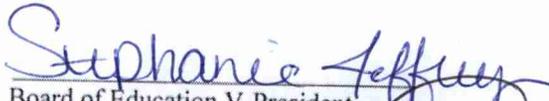
The Board (as the governing body of the school district) acknowledges responsibility for the district's financial statements, internal controls and compliance with laws and regulations and the audit findings and exceptions that have been presented.

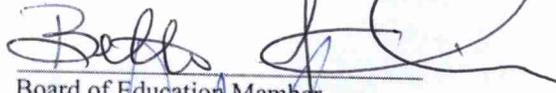
A copy of the audit, including this acknowledgment form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. ' 22-108:

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

  
Superintendent of Schools

  
Board of Education President

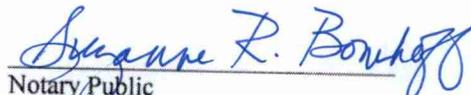
  
Board of Education V-President

  
Board of Education Member

  
Board of Education Member

  
Board of Education Member

Subscribed and sworn to before me on this 12<sup>th</sup> day of Dec., 2011.

  
Notary Public

