

Ketchum School District No. I-6
Craig County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2011

Ketchum School District No. 1-6
Craig County, Oklahoma
School District Officials
June 30, 2011

Board of Education

President

Billy Bays

Vice – President

Danny Risman

Clerk

Jamie Sutton

Member

Jenny Spielman

Member

Jason Farrier

Superintendent of Schools

Rick Pool

School District Treasurer

Carol Bogle

Minute Clerk

Kayla Greene

Encumbrance Clerk

Kayla Greene

Ketchum School District No. 1-6
Craig County, Oklahoma

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Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

Independent Auditor's Report

Board of Trustees

Ketchum School District No. I-6

We have audited the accompanying combined financial statements – regulatory basis of the **Ketchum School District No. I-6, Craig County, Oklahoma** (District) as of and for the year ended June 30, 2011, as listed in the table of contents. These combined financial statements are the responsibility of 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

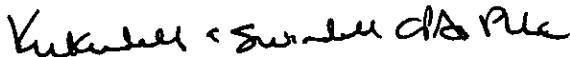
As discussed in Note 1, the District prepares its financial statements on a regulatory basis of accounting that conforms with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because the District's policy is to prepare its 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 **Ketchum School District No. I-6, Craig County, Oklahoma** as of June 30, 2011, or the results of its operations for the year then ended.

However, in our opinion, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance – regulatory basis of the **Ketchum School District No. I-6, Craig County, Oklahoma** as of June 30, 2011, and the revenues collected and expenditures paid and encumbered for the year then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining and individual fund financial statements and schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in my opinion, is fairly stated in all material respects in relation to the combined financial statements taken as whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2011 on our consideration of the District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

September 5, 2011

Ketchum School District No. I-6
Craig County, Oklahoma
Combined Statement of Assets, Liabilities and Fund Balance
All Fund Types and Account Groups – Regulatory Basis
June 30, 2011

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		
	General	Special Revenue	Debt Service	Capital Project Funds	Trust & Agency	General Long Term Debt	General Fixed Assets	Totals
ASSETS								
Cash and Cash Equiv	\$1,181,699.05	\$784,509.39	\$1,477.51	\$1,895,916.21	\$88,790.23	\$	\$	\$3,952,392.39
Fixed Assets							11,846,798.03	11,846,798.03
Amount Available in Debt Service Fund						1,477.51		1,477.51
Amount to be Provided for For Gen Long Term Debt						2,103,522.49		2,103,522.49
Total Assets	<u>\$1,181,699.05</u>	<u>\$784,509.39</u>	<u>\$1,477.51</u>	<u>\$1,895,916.21</u>	<u>\$88,790.23</u>	<u>\$2,105,000.00</u>	<u>\$11,846,798.03</u>	<u>\$17,904,190.42</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Warrants Payable	\$145,762.03	\$42,291.17	\$	\$30,383.54	\$	\$	\$	\$218,436.74
Due to Students					88,790.23			88,790.23
Accrued Unmatured Bonds Payable			(7,500.00)			2,105,000.00		2,097,500.00
Total Liabilities	<u>145,762.03</u>	<u>42,291.17</u>	<u>(7,500.00)</u>	<u>30,383.54</u>	<u>88,790.23</u>	<u>2,105,000.00</u>	<u>0.00</u>	<u>2,404,726.97</u>
Investment in General Fixed Assets							11,846,798.03	11,846,798.03
Fund Balances:								
Cash Fund Balance	<u>1,035,937.02</u>	<u>742,218.22</u>	<u>8,977.51</u>	<u>1,865,532.67</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,652,665.42</u>
Total Liabilities and Fund Balances	<u>\$1,181,699.05</u>	<u>\$784,509.39</u>	<u>\$1,477.51</u>	<u>\$1,895,916.71</u>	<u>\$88,790.23</u>	<u>\$2,105,000.00</u>	<u>\$11,846,798.03</u>	<u>\$17,904,190.42</u>

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. I-6
Craig County, Oklahoma
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types – Regulatory Basis
For the Year Ended June 30, 2011

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects Funds	
REVENUES COLLECTED:					
Local Sources	\$1,861,627.66	\$ 388,202.31	\$ 134,206.10	\$1,975,499.21	\$4,359,535.28
Intermediate Sources	61,544.91				61,544.91
State Sources	1,715,801.81	5,373.84	2.26		1,721,177.91
Other Sources	78,259.27				78,259.27
Federal Sources	<u>792,059.00</u>	<u>214,850.10</u>			<u>1,006,909.10</u>
Total Revenues Collected	<u>4,509,292.65</u>	<u>608,426.25</u>	<u>134,208.36</u>	<u>1,975,499.21</u>	<u>7,227,426.47</u>
EXPENDITURES PAID:					
Instruction	2,940,336.75				2,940,336.75
Support Services	1,180,859.97	446,346.82			1,627,206.79
Non-Instruction Services	3,539.20	292,232.45			295,771.65
Other Outlays	129,761.68	25.00			129,786.68
Facilities/Acquistion		9,387.44		109,966.54	119,353.98
Interest Accrual			6,345.00		6,345.00
Bond Accrual			<u>130,000.00</u>		<u>130,000.00</u>
Total Expenditures Paid	<u>4,254,497.60</u>	<u>747,991.71</u>	<u>136,345.00</u>	<u>109,966.54</u>	<u>5,248,800.85</u>
Excess (Deficit) of Revenues Collected Over (Under)					
Expenditures Paid Before Estopped Warrants	254,795.05	(139,565.46)	(2,136.64)	1,865,532.67	1,978,625.62
Estopped Warrants	<u>2,529.54</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,529.54</u>
Excess (Deficit) of Revenues Collected Over (Under)					
Expenditures Paid	257,324.59	(139,565.46)	(2,136.64)	1,865,532.67	1,981,155.16
Cash Fund Balance – Beginning of Year	<u>778,612.43</u>	<u>881,783.68</u>	<u>11,114.15</u>	<u>0.00</u>	<u>1,671,510.26</u>
Cash Fund Balance – End o f Year	<u>\$1,035,937.02</u>	<u>\$ 742,218.22</u>	<u>\$ 8,977.51</u>	<u>\$1,865,532.67</u>	<u>\$3,652,665.42</u>

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. I-6
Craig County, Oklahoma
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance
Budget and Actual
Budgeted Governmental Fund Types - Regulatory Basis
For the Year Ended June 30, 2011

	General Fund			Special Revenue Fund		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	(Unfavorable) Variance
REVENUES COLLECTED:						
Local sources	\$1,588,619.20	\$1,861,627.66	\$ 273,008.46	\$ 269,041.09	\$ 388,202.31	\$ 119,161.22
Intermediate sources	91,912.73	61,544.91	(30,367.82)			
State sources	1,762,628.69	1,715,801.81	(46,826.88)	5,749.30	5,373.84	(375.46)
Other sources	0.00	78,259.27	78,259.27			
Federal sources	631,689.88	792,059.00	160,369.12	205,519.53	214,850.10	9,330.57
Total revenues collected	<u>4,074,850.50</u>	<u>4,509,292.65</u>	<u>434,442.15</u>	<u>480,309.92</u>	<u>608,426.25</u>	<u>128,116.33</u>
EXPENDITURES PAID:						
Instruction	3,539,302.08	2,940,336.75	598,965.33			
Support services	1,180,859.97	1,180,859.97	0.00	946,934.81	446,346.82	500,587.99
Non-Instruction services	3,539.20	3,539.20	0.00	405,746.35	292,232.45	113,513.90
Other Outlays	129,761.68	129,761.68	0.00	25.00	25.00	0.00
Facilities Acquisitions				9,387.44	9,387.44	0.00
Interest Accrual						
Bond Accrual						
Total expenditures paid	<u>4,853,462.93</u>	<u>4,254,497.60</u>	<u>598,965.33</u>	<u>1,362,093.60</u>	<u>747,991.71</u>	<u>614,101.89</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid Before Estopped Warrants	(778,612.43)	254,795.05	1,033,407.48	(881,783.68)	(139,565.46)	742,218.22
Estopped Warrants	<u>0.00</u>	<u>2,529.54</u>	<u>2,529.54</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	(778,612.43)	257,324.59	1,035,937.02	(881,783.68)	(139,565.46)	742,218.22
Cash Fund Balance, Beginning of Year	<u>778,612.43</u>	<u>778,612.43</u>	<u>0.00</u>	<u>881,783.68</u>	<u>881,783.68</u>	<u>0.00</u>
Cash Fund Balance, End of Year	<u>\$ 0.00</u>	<u>\$1,035,937.02</u>	<u>\$1,035,937.02</u>	<u>\$ 0.00</u>	<u>\$ 742,218.22</u>	<u>\$ 742,218.22</u>

Debt Service Fund		
Budget	Actual	Favorable (Unfavorable) Variance
\$ 124,475.85	\$ 134,206.10	\$ 9,730.25
0.00	2.26	2.26
<u>124,475.85</u>	<u>134,208.36</u>	<u>9,732.51</u>

5,590.00	6,345.00	(755.00)
<u>130,000.00</u>	<u>130,000.00</u>	<u>0.00</u>
<u>135,590.00</u>	<u>136,345.00</u>	<u>(755.00)</u>

(11,114.15)	(2,136.64)	8,977.51
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

(11,114.15)	(2,136.64)	8,977.51
<u>11,114.15</u>	<u>11,114.15</u>	<u>0.00</u>

<u>\$ 0.00</u>	<u>\$ 8,977.51</u>	<u>\$ 8,977.51</u>
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The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements – Regulatory Basis
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ketchum Public School District No. I-6 (the "District") conform to a regulatory basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 accounting policies are prescribed by the Oklahoma Department of Education and conform to the system of accounting authorized by the State of Oklahoma. The following notes to the financial statements are an integral part of the District's financial statements.

Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education (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 Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "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 no component unites (entities considered to be financially accountable to the District).

Measurement Focus, Basis of Accounting

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 minimum number of funds is maintained consisted 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.

Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All governmental fund types 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 judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary fund types are accounting for using the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

*Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

The district has the following fund types:

Governmental Fund Types – 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 generally long-term debt (debt service funds).

Governmental Fund Types include the following funds:

General Fund – The General Fund is the general operating fund of the District. It accounts for all financial resources of the District, 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 & maintenance, school construction and debt service 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.

Special Revenue Fund – The 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 funds are 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 – 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 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.

Child Nutrition Fund – The Child Nutrition Fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

Debt Service Fund – The 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 Projects Fund – The Capital Projects 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.

*Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Fiduciary Fund Types – are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Fiduciary fund types include the following funds:

Agency Fund – The Agency Fund is custodial in nature and does not present results of operations. Agency Funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fund raising efforts of the students and District-sponsored groups. This is not a budgeted fund. The administration is responsible, under the authority of the Board, for 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 to the District.

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.

General Long-Term Debt Account Group – accounts for the outstanding principal balances of 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 the retirement of the debt principal.

General Fixed Assets Account Group – accounts for fixed assets of the District, which is offset by the Investment in General Fixed Assets.

Assets, Liabilities, Fund Balance, Revenue and Expenditures

Deposits and Investments

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

Fair Value of Financial Instruments

The District's financial instruments include cash and investments. The District's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying value 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.

Estimates

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

*Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
Assets, Liabilities, Fund Balance, Revenue and Expenditures (cont.d)

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.

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.

Fixed Assets

The District does not maintain a record of its general fixed assets, and, accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Compensated Absences

District employees are entitled to 10 days annual sick leave for illness of the employee or illness in the immediate family with full pay for those days used. Employees are not paid for unused sick days. These unused sick days may accumulate to a maximum of 180 days. Total accumulated unused sick days will be used in the computation of years of service and may entitle the employee to early retirement. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long Term Obligations

The District reports long-term debt at face value in the general long-term debt account group.

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 purchaser 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.

Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
Assets, Liabilities, Fund Balance, Revenue and Expenditures (cont.d)

Intermediate Revenues

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

State Revenues

The District receives revenue from the state to administer certain categorical education programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund. Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of 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.

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

Non-Monetary Transactions

The District receives commodities from the U.S. Department of Agriculture. The value of those commodities have 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 expenses since they are not reported under the regulatory basis of accounting.

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 operation in accordance with accounting principles generally accepted in the United States of America. Inter-fund eliminations have not been made in the aggregation of this data.

Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 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 District holds an election on the first Tuesday in February to approve additional levies. After approval of additional levies by the voters, the preliminary budget becomes the legal budget. An annual Estimate of Needs is then approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board. Supplemental appropriations are made during the year.

Encumbrance Accounting

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 contract document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

NOTE 3: DETAILED NOTES CONCERNING THE FUNDS

Deposits and 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. The District invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

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

The District issued building bonds in the amount of \$1,100,000 on July 1, 2001. The bond maturities begin July 1, 2003, with a beginning payment of \$60,000 and then increments of \$130,000 per year.

Debt service requirements for 2001 building bonds are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Rate</u>	<u>Principal</u>
2011	4.30%	\$130,000

Ketchum School District No. 1-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Long-Term Debt

The District issued General Obligation Bonds in the amount of \$1,675,000 on May 1, 2011. The bond maturities begin May 1, 2013, with payments of \$185,000 per year and a final payment of \$195,000.

Debt service requirements for 2011 General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Rate</u>	<u>Principal</u>
2013	4.450%	\$185,000
2014	2.250%	\$185,000
2015	1.450%	\$185,000
2016	1.750%	\$185,000
2017	2.000%	\$185,000
2018	2.125%	\$185,000
2019	2.250%	\$185,000
2020	2.375%	\$185,000
2021	2.500%	\$195,000

The District issued Transportation Equipment Bonds in the amount of \$300,000 on May 1, 2011. The bond maturities begin May 1, 2013, with payments of \$75,000 per year.

Debt service requirements for 2011 General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Rate</u>	<u>Principal</u>
2013	2.000%	\$75,000
2014	1.700%	\$75,000
2015	1.700%	\$75,000
2016	2.000%	\$75,000

NOTE 3: OTHER INFORMATION

Changes in Long-Term Debt

Long-term debt consist of bonds payable. The following is a summary of the changes in general long term-debt of the District for all fiscal year:

	<u>Balance at</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u>	<u>Due Within</u>
	<u>7/1/10</u>			<u>6/30/11</u>	<u>One Year</u>
Bonds Payable	<u>\$260,000</u>	<u>\$1,975,000</u>	<u>\$130,000</u>	<u>\$2,105,000</u>	<u>\$130,000</u>

Changes in Fixed Assets

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Land	\$ 30,501.80	\$	\$	\$ 30,501.80
Buildings and Improvements	10,929,089.60	109,966.54		11,039,056.14
Equipment	128,983.65	9,387.44		138,371.09
Transportation Equipment	638,869.00			638,869.00
Total	<u>\$ 11,727,444.05</u>	<u>\$119,353.98</u>	<u>\$ 0.00</u>	<u>\$ 11,727,444.05</u>

NOTE 3: OTHER INFORMATION (cont.d)

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. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

The District 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 District 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 District's 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.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In the program, the District is required to contribute 1% of their taxable payroll for unemployment insurance. 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, it would be liable for the excess.

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 amounts, if any, to be immaterial.

Surety Bonds

The District has a Public School System Faithful Performance Blanket Position Bond with Western Surety Company. The bond covers all the employees for the penal sum of \$25,000 and it is for the term June 30, 2009 through June 30, 2011.

The treasurer is bonded by Oklahoma Republic Surety Company bond number W150027099 for the penal sum of \$50,000 for the term of July 16, 2010 through July 16, 2011.

The minute clerk/encumbrance clerk is bonded by Oklahoma Republic Surety Company for the penal sum of \$1,000 for the term of July 1, 2010 through June 30, 2011.

*Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011*

NOTE 3: OTHER INFORMATION (cont.d)

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 \$17,474.57.

Employee Retirement System and Plan

Description of Plan

The District participates in the state-administered Oklahoma Teacher's Retirement System, which is cost-sharing, multiple-employer defined benefit public employees retirement system (PERS) administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information. 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 under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee may 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 contributions for the participating members is 7% of compensation. The District and State are required to contribute 8.5% effective July 1, 2008; 9.5% effective July 1, 2010 of applicable compensation. Contributions received by the System from the State of Oklahoma are from 5% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed averaged 9% during this year. The combined state and local rate will stabilize at 16.6%. The District is allowed by the System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Ketchum School District No. I-6
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2011

NOTE 3: OTHER INFORMATION (cont.d)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)(b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2005	\$ 6,952.7	\$ 14,082.4	\$ 7,099.7	49.5%	\$ 3,175.2	223.6%
June 30, 2006	\$ 7,470.4	\$ 15,143.4	\$ 7,672.9	49.3%	\$ 3,354.9	228.7%
June 30, 2007	\$ 8,421.9	\$ 16,024.4	\$ 7,602.5	52.6%	\$ 3,598.9	211.2%
June 30, 2008	\$ 9,256.8	\$ 18,346.9	\$ 9,090.1	50.5%	\$ 3,751.4	242.3%
June 30, 2009	\$ 9,439.0	\$ 18,950.9	\$ 9,512.0	49.8%	\$ 3,807.9	249.8%
June 30, 2010	\$ 9,566.70	\$ 19,980.60	\$ 10,414.0	47.9%	\$ 3,854.80	270.2%

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

Note: Dollar amounts are in millions.

SUPPLEMENTAL INFORMATION

Ketchum School District No. I-6
Craig County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
All Special Revenue Funds – Regulatory Basis
June 30, 2011

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 643,562.25	\$ 140,947.14	\$ 784,509.39
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Warrants Payable	\$ 23,032.69	\$ 19,258.48	\$ 42,291.17
Fund Balances			
Cash Fund Balance	620,529.56	121,688.66	742,218.22
Total Liabilities and Fund Balances	\$ 643,562.25	\$ 140,947.14	\$ 784,509.39

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. 1-6
Craig 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

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>REVENUES COLLECTED:</u>			
Local Sources	\$ 345,010.10	\$ 43,192.21	\$ 388,202.31
State Sources	4.25	5,369.59	5,373.84
Federal Sources		214,850.10	214,850.10
Total Revenues Collected	<u>345,014.35</u>	<u>263,411.90</u>	<u>608,426.25</u>
<u>EXPENDITURES PAID:</u>			
Support Services	444,883.59	1,463.23	446,346.82
Facilities Acquisition	9,387.44		9,387.44
Other Outlays		25.00	25.00
Non-Instruction Services		292,232.45	292,232.45
Total Expenditures Paid	<u>454,271.03</u>	<u>293,720.68</u>	<u>747,991.71</u>
Excess (Deficit) of Revenues Collected Over (Under)			
Expenditures Paid Before Estopped Warrants	(109,256.68)	(30,308.78)	(139,565.46)
Estopped Warrants/Cancelled Encumbrances	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess (Deficit) of Revenues Collected Over (Under)			
Expenditures Paid	(109,256.68)	(30,308.78)	(139,565.46)
Cash Fund Balances, Beginning of Year	<u>729,786.24</u>	<u>151,997.44</u>	<u>881,783.68</u>
Cash Fund Balances, End of Year	<u>\$ 620,529.56</u>	<u>\$ 121,688.66</u>	<u>\$ 742,218.22</u>

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. 1-6
Craig County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
All Capital Project Funds – Regulatory Basis
June 30, 2011

	Building Bond Fund	Transportation Bond Fund	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,595,854.53	\$ 300,061.68	\$ 1,895,916.21
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Warrants Payable	\$ 30,383.54	\$ 0.00	\$ 30,383.54
Fund Balances			
Cash Fund Balance	1,565,470.99	300,061.68	1,865,532.67
Total Liabilities and Fund Balances	\$ 1,595,854.53	\$ 300,061.68	\$ 1,895,916.21

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. I-6
Craig County, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Projects Funds – Regulatory Basis
For the Year Ended June 30, 2011

	Building Bond Fund	Transportation Bond Fund	Total
<u>REVENUES COLLECTED:</u>			
Local Sources	\$ 1,675,437.53	\$ 300,061.68	\$ 1,975,499.21
<u>EXPENDITURES PAID:</u>			
Facilities Acquisition	109,966.54	0.00	109,966.54
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid Before Estopped Warrants	1,565,470.99	300,061.68	1,865,532.67
Estopped Warrants/Cancelled Encumbrances	0.00	0.00	0.00
Excess (Deficit) of Revenues Collected Over (Under) Expenditures Paid	1,565,470.99	300,061.68	1,865,532.67
Cash Fund Balances, Beginning of Year	0.00	0.00	0.00
Cash Fund Balances, End of Year	<u>\$ 1,565,470.99</u>	<u>\$ 300,061.68</u>	<u>\$ 1,865,532.67</u>

The accompanying notes are an integral part of the combined financial statements.

*Ketchum School District No. I-6
Craig County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Balances
All Fiduciary Funds – Regulatory Basis
June 30, 2011*

Agency Fund

ASSETS:

Cash	\$ <u>88,790.23</u>
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LIABILITIES AND FUND BALANCES:

Liabilities:

Due to Students	\$ <u>88,790.23</u>
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The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. 1-6

Craig County, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Fiduciary Funds – Regulatory Basis

For the Year Ended June 30, 2011

	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2011
<u>ACTIVITIES:</u>				
JH FCA	\$ 102.00	\$ 418.00	\$ 288.70	\$ 231.30
Activity Fund Interest CD	4,259.12	475.59	0.00	4,734.71
AP Government	2,947.00	0.00	1,834.36	1,112.64
Athletics	7,219.86	49,585.00	47,246.37	9,558.49
Baseball	19.31	1,350.00	488.99	880.32
Concessions	4,682.33	28,127.00	20,883.53	11,925.80
Class of 2011	1,361.25	300.00	1,383.58	277.67
Class of 2012	.65	8,838.37	8,227.59	611.43
Clearances	0.00	140.38	140.38	0.00
Drama	197.10	0.00	0.00	197.10
Elementary	9,241.02	4,250.82	4,676.95	8,814.89
Elementary Art	967.78	0.00	596.88	370.90
Elementary Library	88.01	7,911.43	7,300.90	698.54
Elementary Science Club	2,807.51	839.00	827.80	2,818.71
Elementary PE	1,385.08	1,675.42	1,879.88	1,180.62
Elementary Special ED	1,302.71	1,402.41	868.71	1,836.41
EL Labels for Ed	2,577.69	574.90	2,874.92	277.67
FCA	150.36	2,283.50	2,374.91	58.95
FCCLA	4,344.95	14,503.80	12,567.10	6,281.65
Football	2,190.73	1,213.00	3,375.74	27.99
General	0.00	704.01	704.01	0.00
Gifts and Donations	2,527.62	0.00	101.87	2,425.75
High School	4,709.43	5,923.24	4,901.18	5,731.49
HS Academics	221.00	278.00	98.56	400.44
HS Art	1,376.48	150.00	370.66	1,155.82
High School Cheerleaders	2,407.93	14,144.80	14,445.58	2,107.15
HS Science Club	2,674.90	1,319.00	3,737.70	256.20
HS Embroidery	135.00	132.00	0.00	267.00
HS Music/Band	512.05	4,963.32	5,164.16	311.21
Interest on Liquid Gold	7,940.23	5,552.16	12,712.99	779.40
Junior High	4,608.61	6,341.38	6,632.29	4,317.70
4 th & 5 th Grade Readers	0.00	5,199.00	4,709.00	490.00
Junior High NHS	4,604.08	8,244.00	6,137.50	6,710.58
KBA	422.45	0.00	420.00	2.45
KJH Library	100.13	2,763.99	2,768.65	95.47
Letterjackets	0.00	3,661.80	3,430.50	231.30
Library	585.64	447.32	884.01	148.95
Newspaper	0.00			
NHS	831.19	260.00	428.37	662.82
Petty Cash	0.00	200.00	200.00	0.00
Pre K	3,068.00	39.42	3,058.48	48.94
Reading Railroad	718.28	0.00	718.28	0.00
Spanish	58.48	456.00	424.57	89.91
Special Olympics	675.70	5,461.70	5,446.44	690.96
Student Council	452.71	3,886.20	3,803.81	535.10
Student Needs	2,065.81	3,081.61	332.11	4,815.31
Third Grade	1,048.14	354.00	1,135.14	267.00
Weekenders	3,377.87	2,187.30	1,934.39	3,630.78
Yearbook	2,560.21	14,808.34	16,786.22	582.33
<u>ASSETS</u>				
Cash	\$ 93,526.40	\$ 214,447.21	\$ 219,183.38	\$ 88,790.23
<u>LIABILITIES</u>				
Due to Students	\$ 93,526.40	\$ 214,447.21	\$ 219,183.38	\$ 88,790.23

The accompanying notes are an integral part of the combined financial statements.

Ketchum School District No. 1-6
Craig County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2011</u>
<u>U.S. Department of Education</u>						
Direct Programs:						
Title VII – Part A Indian Ed	84.060	88,296.00	\$ 0.00	\$ 84,859.70	\$ 84,859.70	\$ 0.00
Passed Through State Department of Education:						
Title I – Part A	84.010	176,691.32	0.00	27,451.34	27,451.34	0.00
Title I	84.010	144,988.52	0.00	144,988.52	144,988.52	0.00
Title II, Part A	84.367	53,336.95	0.00	14,845.92	14,845.92	0.00
IDEA B Flowthrough	84.027	146,118.83	0.00	144,884.14	144,884.14	0.00
IDEA B Preschool	84.027	5,209.84	0.00	5,177.15	5,177.15	0.00
Gear UP		13,500.00	0.00	13,500.00	13,500.00	0.00
Title VI Part B – Rural Income	84.358	21,152.44	0.00	21,152.44	21,152.44	0.00
ARRA – Stabilization	84.389	139,855.00	0.00	139,855.00	139,855.00	0.00
ARRA – Flow Through	84.391	1,865.87	0.00	1,865.87	1,865.87	0.00
ARRA – GSF Textbooks	84.397	22,838.96	0.00	22,838.96	22,838.96	0.00
Education for Homeless Children	84.196	7,048.84	0.00	7,048.84	7,048.84	0.00
Even Start		119,379.00	0.00	119,379.00	119,379.00	0.00
Passed Through State Department of Vocational Education						
Carl Perkins Vocational	84.048	30,631.75	0.00	30,631.75	30,631.75	0.00
Total Department of Education			<u>\$ 0.00</u>	<u>\$ 778,478.63</u>	<u>\$ 778,478.63</u>	<u>\$ 0.00</u>
<u>U.S. Department of Agriculture</u>						
Passed Through State Department of Education:						
School Breakfast Program	10.553	55,776.98	0.00	55,776.98	55,776.98	0.00
National School Lunch Program	10.555	159,073.12	0.00	159,073.12	159,073.12	0.00
Total Department of Agriculture			<u>\$ 0.00</u>	<u>\$ 214,850.10</u>	<u>\$ 214,850.10</u>	<u>\$ 0.00</u>
<u>U.S. Department of Human Services</u>						
Commodities – Note A	10.55	17,474.57	<u>\$ 0.00</u>	<u>\$ 17,474.57</u>	<u>\$ 17,474.57</u>	<u>\$ 0.00</u>
<u>Other Federal Assistance</u>						
Medicaid Resources	93.778	34,926.93	<u>\$ 0.00</u>	<u>\$ 34,926.93</u>	<u>\$ 34,926.93</u>	<u>\$ 0.00</u>
Total Federal Financial Assistance			--	<u>\$ 1,045,730.23</u>	<u>\$ 1,045,730.23</u>	

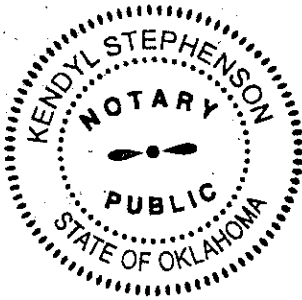
Note 1 – Funds were expended and properly reported in prior years.

Note 2 – Commodities received in the amount of \$17,474.57 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Ketchum School District No. I-6
Craig County, Oklahoma
Accountant's Professional Liability Insurance Affidavit
For the Year Ended June 30, 2011

State of Oklahoma)
)ss
County of Rogers)

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 the Ketchum Public Schools for the audit year 2010-2011.



Comm# 11003203
Exp. 4-7-15

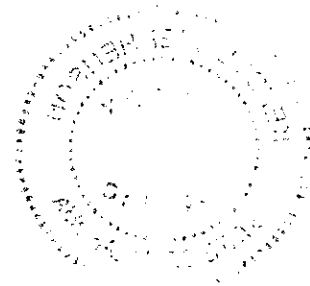
Kirkendall & Swindell CPAs, PLLC

Auditing Firm

By Violet Kirkendall
Authorized Agent

Subscribed and sworn to before me this 12 day of September 2011.

Kendyl Stephenson
Notary Public (or Clerk or Judge)



REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

**Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Honorable Board of Education

Ketchum School District No. 1-6

We have audited the financial statements of **Ketchum School District No. 1-6, Craig County, Oklahoma** for the year ended June 30, 2011, and have issued our report thereon dated September 5, 2011. As discussed in Note 1 to the financial statements, the District prepares its financial statements on the regulatory basis of accounting that conforms with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We issued an adverse opinion for the effect on the financial statements of the use of the regulatory basis of accounting and the omission of the general fixed assets account group which should be included in order to conform with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 **Ketchum School District No. 1-6, Craig County, Oklahoma** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Ketchum School District No. 1-6, Craig County, Oklahoma** financial statements are free of material misstatement, we performed tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of we tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Kirkendall & Swindell CPAs, PLLC

Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

September 5, 2011

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133

The Honorable Board of Education
Ketchum School District No. I-6

Compliance

We have audited the compliance of the Ketchum School District No. I-6, Craig County, Oklahoma (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. As discussed in Note 1 to the financial statements, the District prepares its financial statements on a regulatory basis of accounting that conforms with the accounting practices prescribed by the Oklahoma Department of Education and budget laws of the State of Oklahoma which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We issued an adverse opinion for the effect on the financial statements of the use of the regulatory basis of accounting and the omission of the general fixed assets account group which should be included in order to conform with accounting principles generally accepted in the United States of America. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance 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 we plan and perform our audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

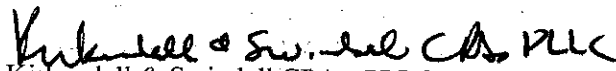
In our opinion, the Ketchum School District No. I-6, Craig County, Oklahoma, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, Oklahoma State Auditor and Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Kirkendall & Swindell CPAs, PLLC
Certified Public Accountant.

September 5, 2011

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Kirkendall & Swindell CPAs, PLLC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

*Independent Auditor's Report on Supplemental Information and
Schedule of Federal Financial Assistance*

The Honorable Board of Education
Ketchum School District No. I-6

We have audited the financial statements of Ketchum School District No. I-6, Craig County, Oklahoma for the year ended June 30, 2011, and have issued our report thereon dated September 5, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements of Ketchum School District No. I-6, Craig County, Oklahoma, taken as a whole. The accompanying supplemental information, including the schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.


Kirkendall & Swindell CPAs, PLLC

September 5, 2011

Ketchum School District No. 1-6
Craig County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Ketchum School District in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Ketchum School District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Ketchum School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included: IDEA B Flowthrough CFDA 84.027, ARRA - Stabilization CFDA 84.391, National School Lunch and Breakfast Program CFDA 10.553/10.555.
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. Ketchum School District did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

Ketchum School District No. I-6
Craig County, Oklahoma
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2011

Prior Year Audit Findings

NONE

