

**PIEDMONT INDEPENDENT SCHOOL DISTRICT NO. 022**

CANADIAN COUNTY, OKLAHOMA

JUNE 30, 2011

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CANADIAN COUNTY, OKLAHOMA

JUNE 30, 2011

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Schedule of Accountants' Professional Liability Insurance

Exhibit G-1

\* The required internal control, compliance, and schedule of findings and questioned costs are required by Government Auditing Standards and OMB Circular A-133 when a single audit is applicable

**PIEDMONT INDEPENDENT SCHOOL DISTRICT NO. I-22, CANADIAN COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

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Vice President	Karen Green
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Piedmont Independent School District #022  
Canadian County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Piedmont Independent School District #022**, Canadian County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1, **Piedmont Independent School District #022**, Canadian County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

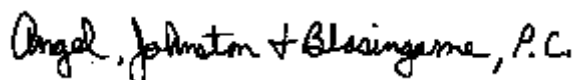
In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under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

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Piedmont Independent School District #022**, Canadian County, Oklahoma, as of June 30, 2011, or the changes in its financial position for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Piedmont School District, No 22**, Canadian County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise **Piedmont Independent School District #022**, Canadian County, Oklahoma, as a whole. The combining fund statements and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the combined financial statements of **Piedmont Independent School District #022**, Canadian County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.



Chickasha, Oklahoma  
January 4, 2012

## COMBINED FINANCIAL STATEMENTS

**Piedmont School District No.1-022, Canadian County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Equity**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2011**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2011
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents	\$ 3,260,327	\$ 717,894	\$ 158,852	\$ 211,569	\$ 554,657	\$ 0	\$ 4,903,299
Investments	336,744	0	0	0	0	0	336,744
Amounts Available in Debt Service Fund	0	0	0	0	0	158,852	158,852
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	4,991,148	4,991,148
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	35,558,039	35,558,039
<b>Total Assets</b>	<b>\$ 3,597,071</b>	<b>\$ 717,894</b>	<b>\$ 158,852</b>	<b>\$ 211,569</b>	<b>\$ 554,657</b>	<b>\$ 40,708,039</b>	<b>\$ 45,948,082</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Liabilities:							
Warrants Payable	\$ 558,792	\$ 289	\$ 0	\$ 0	\$ 0	\$ 0	\$ 559,080
Reserve for Encumbrances	434,969	65,800	0	0	0	0	500,769
Due to Activity Groups	0	0	0	0	554,657	0	554,657
General Obligation Bonds Payable	0	0	0	0	0	5,150,000	5,150,000
Capitalized Lease Obligations Payable	0	0	0	0	0	35,558,039	35,558,039
<b>Total Liabilities</b>	<b>\$ 993,761</b>	<b>\$ 66,089</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 554,657</b>	<b>\$ 40,708,039</b>	<b>\$ 42,322,546</b>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 158,852	\$ 0	\$ 0	\$ 0	\$ 158,852
Reserved for Capital Projects	0	0	0	211,569	0	0	211,569
Cash Fund Balance	2,603,310	651,806	0	0	0	0	3,255,115
<b>Total Fund Equity</b>	<b>\$ 2,603,310</b>	<b>\$ 651,806</b>	<b>\$ 158,852</b>	<b>\$ 211,569</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,625,536</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,597,071</b>	<b>\$ 717,894</b>	<b>\$ 158,852</b>	<b>\$ 211,569</b>	<b>\$ 554,657</b>	<b>\$ 40,708,039</b>	<b>\$ 45,948,082</b>

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

**Piedmont School District No.1-022, Canadian County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
<b>Revenue Collected:</b>					
Local Sources	\$ 4,514,968	\$ 1,144,002	\$ 3,226,037	\$ 140,875	\$ 9,025,881
Intermediate Sources	535,806	0	0	0	535,806
State Sources	8,888,658	19,416	0	0	8,908,074
Federal Sources	1,748,049	268,531	0	0	2,016,579
Non-Revenue Receipts	1,129	0	0	0	1,129
<b>Total Revenue Collected</b>	<b>\$ 15,688,609</b>	<b>\$ 1,431,948</b>	<b>\$ 3,226,037</b>	<b>\$ 140,875</b>	<b>\$ 20,487,469</b>
<b>Expenditures Paid:</b>					
Instruction	\$ 9,474,548	\$ 0	\$ 0	\$ 0	\$ 9,474,548
Support Services	6,102,175	300,357	0	0	6,402,532
Operation of Non-Instructional Services	0	894,674	0	0	894,674
Facilities Acquisition and Construction	0	0	0	5,443,123	5,443,123
Other Outlays	105,948	0	0	0	105,948
Other Uses	0	0	0	0	0
Repayments	711	14,256	0	0	14,968
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	3,165,000	0	3,165,000
Interest and Fiscal Agent Fees	0	0	94,950	0	94,950
<b>Total Expenditures Paid</b>	<b>\$ 15,683,383</b>	<b>\$ 1,209,288</b>	<b>\$ 3,259,950</b>	<b>\$ 5,443,123</b>	<b>\$ 25,595,743</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ 5,226</b>	<b>\$ 222,661</b>	<b>\$ (33,913)</b>	<b>\$ (5,302,248)</b>	<b>\$ (5,108,274)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 5,219</b>	<b>\$ 3</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,221</b>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 3,846	\$ 4,250	\$ 0	\$ 0	\$ 8,096
Bond Proceeds	0	0	0	5,150,000	5,150,000
Transfers In	0	0	0	0	0
Transfers Out	0	(1,672)	0	0	(1,672)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,846</b>	<b>\$ 2,578</b>	<b>\$ 0</b>	<b>\$ 5,150,000</b>	<b>\$ 5,156,423</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ 14,291</b>	<b>\$ 225,241</b>	<b>\$ (33,913)</b>	<b>\$ (152,248)</b>	<b>\$ 53,371</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,589,019</b>	<b>426,565</b>	<b>192,765</b>	<b>363,817</b>	<b>3,572,165</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,603,310</b>	<b>\$ 651,806</b>	<b>\$ 158,852</b>	<b>\$ 211,569</b>	<b>\$ 3,625,536</b>

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



**Piedmont School District No.I-022, Canadian County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2011**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 3,586,055	\$ 3,586,055	\$ 4,514,968	\$ 1,066,258	\$ 1,066,258	\$ 1,144,002	\$ 3,067,185	\$ 3,067,185	\$ 3,226,037
Intermediate Sources	441,000	441,000	535,806	0	0	0	0	0	0
State Sources	7,871,481	8,641,378	8,888,658	14,500	14,500	19,416	0	0	0
Federal Sources	1,031,810	1,851,594	1,748,049	198,000	198,000	268,531	0	0	0
Non-Revenue Receipts	0	0	1,129	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 12,930,346</u>	<u>\$ 14,520,027</u>	<u>\$ 15,688,609</u>	<u>\$ 1,278,758</u>	<u>\$ 1,278,758</u>	<u>\$ 1,431,948</u>	<u>\$ 3,067,185</u>	<u>\$ 3,067,185</u>	<u>\$ 3,226,037</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 9,906,637	\$ 10,853,095	\$ 9,474,548	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	5,488,662	6,148,193	6,102,175	718,800	718,800	300,357	0	0	0
Operation of Non-Instructional Services	2,955	0	0	972,189	970,517	894,674	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0
Other Outlays	113,900	107,046	105,948	0	0	0	3,259,950	3,259,950	3,259,950
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	7,211	711	711	14,334	14,334	14,256	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 15,519,365</u>	<u>\$ 17,109,046</u>	<u>\$ 15,683,383</u>	<u>\$ 1,705,323</u>	<u>\$ 1,703,651</u>	<u>\$ 1,209,288</u>	<u>\$ 3,259,950</u>	<u>\$ 3,259,950</u>	<u>\$ 3,259,950</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	\$ (2,589,019)	\$ (2,589,019)	\$ 5,226	\$ (426,565)	\$ (424,893)	\$ 222,661	\$ (192,765)	\$ (192,765)	\$ (33,913)
<b>Adjustments to Prior Year Encumbrances</b>	\$ 0	\$ 0	\$ 5,219	\$ 0	\$ 0	\$ 3	\$ 0	\$ 0	\$ 0
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 3,846	\$ 0	\$ 0	\$ 4,250	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	(1,672)	(1,672)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,846</u>	<u>\$ 0</u>	<u>\$ (1,672)</u>	<u>\$ 2,578</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	\$ (2,589,019)	\$ (2,589,019)	\$ 14,291	\$ (426,565)	\$ (426,565)	\$ 225,241	\$ (192,765)	\$ (192,765)	\$ (33,913)
<i>Fund Balance - Beginning of Year</i>	2,589,019	2,589,019	2,589,019	426,565	426,565	426,565	192,765	192,765	192,765
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,603,310</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 651,806</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 158,852</u>

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

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

The basic financial statements of the Piedmont Public Schools Independent District No. 22, Canadian County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

**1.B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**2. Special Revenue Funds** - The Special Revenue Funds of the District consist of the Building Fund, Child Nutrition Fund, and OCMAPS Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

OCMAPS Fund - The OCMAPS Fund (Oklahoma City Metropolitan Area Public School) consists of monies collected from a limited purpose excise tax earmarked for certain public school or public school facilities expenditures on November 13, 2001. The funds may be expended for providing for improving public school or public school facilities attended by City-resident students by any one or more of the following expenditures: Funding the erection or purchase and complete or partial furnishing and equipping of a public school building, repairs or an existing public school building, furniture or fixtures, improvements, transportation equipment and other equipment.

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

**4. Capital Projects Fund** - The Capital Projects Fund consists of the District's-2009 and 2010 Building Bond funds. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

**1. Agency Funds** - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

**Account Groups**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

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

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

**Memorandum Only - Total Column**

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**1.C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2011, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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

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

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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

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

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

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

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

**Note 2 – Deposit and Investment Risk**

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

		Carrying Value
Deposits		
Demand Deposits	\$	5,028,478
Time Deposits		336,744
Total Deposits	\$	5,365,222
Investments		
	Credit Rating	Maturity
		Fair Value
		\$
Total Investments		0
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	5,240,043
Activity Fund Outstanding Checks		125,179
Total Deposits and Investments	\$	5,365,222

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the District was not exposed to custodial credit risk as defined above.

**Investment Credit Risk** – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
- 3.Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
- 6.Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
- 7.Warrants, bonds or judgments of the school district.
- 8.Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
- 9.Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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



**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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

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

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

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

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

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

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2010	3,165,000	25,192,257	0	28,357,257
Additions	5,150,000	15,000,000	0	20,150,000
Retirements	-3,165,000	-4,634,218	0	-7,799,218
Balance, June 30, 2011	5,150,000	35,558,039	0	40,708,039

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

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2010 Building Bonds Series A	1.45-1.55%	July 1, 2013	\$ 3,450,000	\$ 3,450,000
2010 Building Bonds Series B	1.25%	July 1, 2012	1,700,000	1,700,000
<b>Totals</b>			<b>\$ 5,150,000</b>	<b>\$ 5,150,000</b>

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2010 Building Bonds Series A</b>			
2011-12	\$ 0	\$ 0	\$ 0
2012-13	1,725,000	103,500	1,828,500
2013-14	1,725,000	25,012	1,750,012
<b>Sub Total</b>	<b>\$ 3,450,000</b>	<b>\$ 128,512</b>	<b>\$ 1,828,500</b>
<b>2010 Building Bonds Series B</b>			
2011-12	\$ 0	\$ 0	\$ 0
2012-13	1,700,000	42,500	1,742,500
<b>Sub Total</b>	<b>\$ 1,700,000</b>	<b>\$ 42,500</b>	<b>\$ 1,742,500</b>
<b>Total Bonds</b>	<b>\$ 5,150,000</b>	<b>\$ 171,012</b>	<b>\$ 3,571,000</b>

Interest expense on bonds payable incurred during the current year totaled \$94,950.

The District has entered into a ground lease agreement as lessee for financing the construction of new school buildings. The District has also entered into a lease purchase agreement for the acquisition of school furniture, fixtures and equipment. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

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

Year Ending June 30	2004 Lease Purchase	2005 Lease Purchase	2006 Lease Purchase	2007 Lease Purchase	2011 Geo- Thermal	2011 Lease Purchase	Total
2012	\$ 735,550	\$ 829,450	\$ 1,200,000	\$ 0	\$ 57,892	\$ 899,250	\$ 3,722,142
2013	2,855,657	3,225,213	320,000	752,169	1,949,682	1,943,703	11,046,424
2014	0	0	0	2,500,000	0	965,364	3,465,364
2015	0	0	0	4,135,000	0	2,215,364	6,350,364
2016	0	0	0	2,150,000	0	4,432,864	6,582,864
2017	0	0	0	0	0	6,818,565	6,818,565
2018	0	0	0	0	0	3,898,079	3,898,079
<b>Total</b>	<b>\$ 3,591,207</b>	<b>\$ 4,054,663</b>	<b>\$ 1,520,000</b>	<b>\$ 9,537,169</b>	<b>\$ 2,007,574</b>	<b>\$ 21,173,189</b>	<b>\$ 41,883,802</b>
Less Amount Representing							
Interest	\$ 0	0	0	0	152,574	6,173,189	6,325,763
Present Value of Future Min.							
Lease Pmts	<u>\$ 3,591,207</u>	<u>\$ 4,054,663</u>	<u>\$ 1,520,000</u>	<u>\$ 9,537,169</u>	<u>\$ 1,855,000</u>	<u>\$ 15,000,000</u>	<u>\$ 35,558,039</u>

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011 and 2010 were \$702,361 \$702,361 and \$618,168, respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$7,546,840; the District's total compensation was \$9,693,891. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$16,404) and 9.50% of compensation arising from post retirement employees (\$8,432). There were \$430,694 contributions made by employees during the year ended June 30, 2011.

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

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

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

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

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

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

**Note 5 - Contingencies**

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

**Litigation**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable and the amount are not readily estimable, the District believes the resolution of these matters will not have a material adverse effect on the financial statements and may be settled by the District's insurance carrier. The District intends to vigorously defend itself on the various lawsuits.

**Note 6 – Risk Management**

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

**Note 7 - Use of Estimates**

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

**Note 8 – Budget Amendments**

The General Fund budget was amended once during the year by filing supplemental appropriations forms with the county clerk's office. The supplemental appropriations were filed on November 8, 2010 in the amount of \$567,571 and on February 14, 2011 for \$1,022,109. This increased the original General Fund Budget from \$15,519,365 to \$17,109,046.

**Piedmont ISD No. 22, Canadian County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2011**

**Note 9 – Surety Bonds**

The District has a Public School System Faithful Performance Blanket Position Bond with Old Republic Surety Company. The bond number is POB-1102274, and covers the term September 9, 2010 to September 9, 2011. It covers the Minutes Clerk, Lunch Fund Clerk, Activity Fund Clerk, and Encumbrance Clerk for the penal sum of \$5,000.

The District has a surety bond with Old Republic Surety Company Bond W150064359 that covers the superintendent for the penal sum of \$100,000 for the term the tem July 1, 2010 to July 1, 2011.

The District has a surety bond with Old Republic Surety Company Bond POB-110367 that covers the treasurer for the penal sum of \$100,000 for the term July 1, 2010 to July 1, 2011.

The District has a surety bond with Old Republic Surety Company Bond number \$RSB-8006939 that covers the assistant treasurer for the penal sum of \$100,000 for the term November 8, 2010 to June 30, 2011.

#### OTHER SUPPLEMENTAL INFORMATION

**Piedmont School District No.I-022, Canadian County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Cash Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2011**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Maps Fund</u>	<u>Total June 30, 2011</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 541,021	\$ 176,796	\$ 78	\$ 717,894
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 541,021</u>	<u>\$ 176,796</u>	<u>\$ 78</u>	<u>\$ 717,894</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 0	\$ 289	\$ 0	\$ 289
Reserve for Encumbrances	<u>65,800</u>	<u>0</u>	<u>0</u>	<u>65,800</u>
<i>Total Liabilities</i>	<u>\$ 65,800</u>	<u>\$ 289</u>	<u>\$ 0</u>	<u>\$ 66,089</u>
Fund Balance:				
Cash Fund Balance	<u>\$ 475,221</u>	<u>\$ 176,507</u>	<u>\$ 78</u>	<u>\$ 651,806</u>
<i>Total Fund Balance</i>	<u>\$ 475,221</u>	<u>\$ 176,507</u>	<u>\$ 78</u>	<u>\$ 651,806</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 541,021</u>	<u>\$ 176,796</u>	<u>\$ 78</u>	<u>\$ 717,894</u>

**Piedmont School District No.1-022, Canadian County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ending June 30, 2011**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Maps Fund</b>	<b>Total June 30, 2011</b>
<b>Revenue Collected:</b>				
Local Sources	\$ 563,139	\$ 580,863	\$ 0	\$ 1,144,002
Intermediate Sources	0	0	0	0
State Sources	1,644	17,771	0	19,416
Federal Sources	0	268,531	0	268,531
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 564,783</u>	<u>\$ 867,165</u>	<u>\$ 0</u>	<u>\$ 1,431,948</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	300,357	0	0	300,357
Operation of Non-Instructional Services	0	894,674	0	894,674
Facilities Acquisition and Construction	0	0	0	0
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	14,256	14,256
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 300,357</u>	<u>\$ 894,674</u>	<u>\$ 14,256</u>	<u>\$ 1,209,288</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 264,426</u>	<u>\$ (27,510)</u>	<u>\$ (14,256)</u>	<u>\$ 222,661</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 4,250	\$ 0	\$ 0	\$ 4,250
Transfers In	0	0	0	0
Transfers Out	0	(1,672)	0	(1,672)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 4,250</u>	<u>\$ (1,672)</u>	<u>\$ 0</u>	<u>\$ 2,578</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 268,679</u>	<u>\$ (29,182)</u>	<u>\$ (14,256)</u>	<u>\$ 225,241</u>
<i>Fund Balance - Beginning of Year</i>	<u>206,542</u>	<u>205,689</u>	<u>14,334</u>	<u>426,565</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 475,221</u></u>	<u><u>\$ 176,507</u></u>	<u><u>\$ 78</u></u>	<u><u>\$ 651,806</u></u>



Piedmont School District No.I-022, Canadian County, Oklahoma  
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
Special Revenue Funds - Budget and Actual  
For the Year Ending June 30, 2011

	Building Fund			Maps Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>												
Local Sources	\$ 512,258	\$ 512,258	\$ 563,139	\$ 0	\$ 0	\$ 0	\$ 554,000	\$ 554,000	\$ 580,863	\$ 1,066,258	\$ 1,066,258	\$ 1,144,002
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	1,644	0	0	0	14,500	14,500	17,771	14,500	14,500	19,416
Federal Sources	0	0	0	0	0	0	198,000	198,000	268,531	198,000	198,000	268,531
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 512,258</u>	<u>\$ 512,258</u>	<u>\$ 564,783</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 766,500</u>	<u>\$ 766,500</u>	<u>\$ 867,165</u>	<u>\$ 1,278,758</u>	<u>\$ 1,278,758</u>	<u>\$ 1,431,948</u>
<b>Expenditures Paid:</b>												
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	718,800	718,800	300,357	0	0	0	0	0	0	718,800	718,800	300,357
Operation of Non-Instructional Services	0	0	0	0	0	0	972,189	970,517	894,674	972,189	970,517	894,674
Facilities Acquisition and Construction	0	0	0	0	0	0	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	14,334	14,334	14,256	0	0	0	14,334	14,334	14,256
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 718,800</u>	<u>\$ 718,800</u>	<u>\$ 300,357</u>	<u>\$ 14,334</u>	<u>\$ 14,334</u>	<u>\$ 14,256</u>	<u>\$ 972,189</u>	<u>\$ 970,517</u>	<u>\$ 894,674</u>	<u>\$ 1,705,323</u>	<u>\$ 1,703,651</u>	<u>\$ 1,209,288</u>
<i>Excess of Revenues Collected Over (Under)</i>												
<i>Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	\$ (206,542)	\$ (206,542)	\$ 264,426	\$ (14,334)	\$ (14,334)	\$ (14,256)	\$ (205,689)	\$ (204,017)	\$ (27,510)	\$ (426,565)	\$ (424,893)	\$ 222,661
<b>Adjustments to Prior Year Encumbrances</b>	\$ 0	\$ 0	\$ 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3
<b>Other Financing Sources (Uses):</b>												
Estopped Warrants	\$ 0	\$ 0	\$ 4,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,250
Transfers In	0	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	(1,672)	(1,672)	0	(1,672)	(1,672)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,250</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,672)</u>	<u>\$ (1,672)</u>	<u>\$ 0</u>	<u>\$ (1,672)</u>	<u>\$ 2,578</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	\$ (206,542)	\$ (206,542)	\$ 268,679	\$ (14,334)	\$ (14,334)	\$ (14,256)	\$ (205,689)	\$ (205,689)	\$ (29,182)	\$ (426,565)	\$ (426,565)	\$ 225,241
<i>Fund Balance - Beginning of Year</i>	206,542	206,542	206,542	14,334	14,334	14,334	205,689	205,689	205,689	426,565	426,565	426,565
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 475,221</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 176,507</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 651,806</u>

***Piedmont School District No.1-022, Canadian County, Oklahoma  
Combining Assets, Liabilities and Fund Equity  
Activity Fund - Regulatory Basis  
For the Year Ending June 30, 2011***

<b><u>ASSETS</u></b>	<b><u>School Activity Fund</u></b>
Cash	\$ 554,657
Investments	<u>0</u>
<i>Total Assets</i>	<b><u>\$ 554,657</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>554,657</u>
<i>Total Liabilities</i>	<b><u>\$ 554,657</u></b>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<b><u>\$ 554,657</u></b>

**Piedmont School District No. I-022, Canadian County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2011**

<b>ACTIVITIES</b>	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2011</b>
Baseball	\$ 8,807	\$ 48,158	\$ 34,288	\$ 22,677
Basketball/B	18,035	24,390	19,689	22,736
Basketball/G	11,741	17,071	16,569	12,242
Football	23,688	63,188	68,609	18,267
Softball	4,974	17,455	11,897	10,531
Tennis	2,599	2,453	1,965	3,088
Track/B	9,025	12,962	13,858	8,130
Track/G	0	20,036	13,811	6,225
Wrestling	73	8,531	4,776	3,828
Golf/G	3,286	2,504	3,321	2,469
Soccer	0	4,344	3,419	924
Ad/Med/Training	6,223	7,488	3,429	10,282
Wildcat Pride	9,788	14,115	10,055	13,848
Gold/B	1,119	1,000	840	1,279
Child Nutrition	0	250,306	250,306	0
Band/M.S.-H.S.	18,208	101,933	85,666	34,475
Vocal/MS-HS	1,669	9,731	8,075	3,325
Honors Vocal	2,883	18,269	18,185	2,967
Honor Art-ES	3,765	0	517	3,248
MS Vocal	814	5,457	4,738	1,533
Band Boosters	26,987	34,098	33,091	27,993
PTO-ES	41,675	64,192	82,783	23,084
Touchdown Club	18,209	40,179	27,794	30,594
Take Down	8,895	29,766	31,699	6,962
Tip Off	12,492	29,073	23,913	17,653
PTO/M.S.	8,541	10,010	10,481	8,070
Friends of L.E.A.P.	3,056	20,652	18,550	5,158
Cheerleader Booster S/H.S.	2,769	23,220	16,311	9,677
Cross Country Boosters	2,745	7,949	5,560	5,134
Tennis Boosters	921	0	921	0
Football Bank Concession	5,998	27,577	23,748	9,827
Stoneridge PTO	61,808	60,802	75,133	47,477
Northwood PTO	12,566	64,737	62,263	15,040
FCCLA	1,508	1,130	1,218	1,420
Library/Elem.	3,206	6,478	6,624	3,061
Library/H.S.	1,778	19,015	14,110	6,682
Library/M.S.	1,223	4,198	4,009	1,412
NHS	364	1,427	1,596	196
Pep Club/H.S.	1,199	691	800	1,090
Pep Club/M.S.	3,760	9,863	9,335	4,289
Prom	2,634	16,037	16,584	2,087
SADD	382	165	150	397
Science/H.S.	549	0	251	297
Sr. Class	1,262	13,182	11,422	3,022
Stuco/H.S.	5,718	10,039	9,293	6,463
Stuco/M.S.	1,939	325	1,028	1,236
Sub Total	\$ <u>358,881</u>	\$ <u>1,124,190</u>	\$ <u>1,062,679</u>	\$ <u>420,393</u>

**Piedmont School District No. I-022, Canadian County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2011**  
(Continued)

<b>ACTIVITIES</b>	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2011</b>
Yearbook	15,992	38,046	38,591	15,447
Sequoyah Club/ES	1,074	0	448	626
Northwood Library	0	1,286	0	1,286
Northwood Sequoyah Club	0	437	187	250
Special Olympics	1,587	0	416	1,171
Spanish Club/H.S.	600	1,285	1,190	696
French Club/H.S.	870	1,095	810	1,155
Drama/MS	1,793	4,594	5,347	1,040
Builders Club/MS	1,032	0	256	776
Key Club/HS	1,028	848	964	912
Library/PS	2,865	1,166	1,166	2,865
H.S. Newspaper	151	0	151	0
Wildcat Web Solutions/HS	575	0	250	325
Stone Ridge Sequoyah	2	0	0	2
Stone Ridge Library	4,663	15,258	12,677	7,245
Class of 2012	3,450	1,832	314	4,968
Class of 2013	1,611	2,604	756	3,458
Class of 2014	0	2,226	417	1,810
Academic Team/HS	348	0	0	348
Stoneridge Art	1,998	0	280	1,718
Class of 2011	4,054	0	4,054	0
Primary Expressions	402	3,234	2,551	1,085
ADM	14,170	23,940	19,536	18,573
Northwood Elementary	3,660	68,140	66,278	5,522
Elem. Account	5,981	25,607	27,604	3,983
H.S. Account	8,864	31,636	30,243	10,257
M.S. Account	9,076	37,829	35,859	11,046
Clearing	0	5,945	5,945	0
Primary Account	4,602	22,624	17,463	9,762
Parking Lot	6,312	2,920	3,416	5,816
Foundation Grants	1,334	0	0	1,334
Stone Ridge Elementary	13,121	30,168	31,483	11,806
PTSA-HS	2,282	6,646	4,403	4,525
HS Duck Service Account	100	117,224	117,310	14
Before School Program/Sr.	0	14,137	14,137	0
Wildcat Clubhouse/NW	0	16,241	11,795	4,446
Sub Total	<u>\$ 113,593</u>	<u>\$ 476,968</u>	<u>\$ 456,297</u>	<u>\$ 134,264</u>
Total Activities:	<u>\$ 472,475</u>	<u>\$ 1,601,158</u>	<u>\$ 1,518,976</u>	<u>\$ 554,657</u>

**PIEDMONT INDEPENDENT SCHOOL DISTRICT NO. 22, CANADIAN COUNTY, OK**  
**SCHEDULE OF FEDERAL AWARDS EXPENDED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA#</b>	<b>Pass-Through Project Number</b>	<b>Deferred Revenue (Accounts Receivable) July 1, 2010</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Deferred Revenue (Accounts Receivable) June 30, 2011</b>
<b>U.S. Department of Education</b>						
Direct Programs:						
Indian Education Title VII	84.060A	561	(6,534)	66,647	70,816	(10,703)
Passed Through Oklahoma State Department of Education:						
Title I, Basic	84.010	511	(6,816)	91,510	91,631	(6,937)
ARRA IDEA B, Flow Through	84.389	516	(3,718)	3,718	0	0
<b>Title I Cluster</b>			<b>(10,534)</b>	<b>95,228</b>	<b>91,631</b>	<b>(6,937)</b>
IDEA-B Flowthrough	84.027	621	(42,942)	380,138	382,253	(45,057)
IDEA-B, Project ECCO	84.027	615	(402)	0	370	(772)
ARRA IDEA B, Flow Through	84.391A	622	(7,741)	193,097	216,356	(31,000)
ARRA Preschool (Note 4)	84.392A	643	(36)	9,480	10,147	(703)
IDEA-B Preschool	84.173	641	(1,368)	4,910	4,176	(634)
<b>Special Education Cluster</b>			<b>(52,489)</b>	<b>587,625</b>	<b>613,302</b>	<b>(78,166)</b>
ARRA Education Stabilization Fund	84.394	782	(11,761)	536,217	524,456	0
<b>ARRA Stabilization Cluster</b>			<b>(11,761)</b>	<b>536,217</b>	<b>524,456</b>	<b>0</b>
Title II, Part A,	84.367	541	(2,588)	38,759	43,877	(7,706)
Title II, Part D, Technology	84.318	546	0	0	679	(679)
Title II, Part D, Professional Development	84.318	548	0	0	75	(75)
Title IV, Part A	84.186A	551	(3,850)	6,282	2,432	0
Education Jobs Fund	84.410	790	0	417,290	417,290	0
<b>Total U.S. Department of Education</b>			<b>(87,756)</b>	<b>1,748,048</b>	<b>1,764,558</b>	<b>(104,266)</b>
<b>U.S. Department of Agriculture</b>						
Passed Through State Department of Education:						
Breakfast Program (Note 2)	10.553	385	0	36,578	36,578	(0)
Lunch Program (Note 2)	10.555	385	0	231,953	231,953	0
Commodities Distributed-Lunch (Note 3)	10.555	N/A	0	61,956	61,956	0
<b>Child Nutrition Cluster</b>			<b>0</b>	<b>330,487</b>	<b>330,487</b>	<b>(0)</b>
<b>Total U.S. Department of Agriculture</b>			<b>0</b>	<b>330,487</b>	<b>330,487</b>	<b>(0)</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>(87,756)</b>	<b>2,078,535</b>	<b>2,095,045</b>	<b>(104,266)</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

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

Note 3 - Commodities received in the amount of \$61,956 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 4 - Prior year SEFA incorrectly showed a payable of \$3,571. It should have been a receivable of \$36.

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

	<b>CFDA #</b>	<b>Program #</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Deferred ARRA Revenue (Accounts Rec)</b>
ARRA Title I	84.389	516	3,718	0	0
ARRA Special Education	84.391A	622	193,097	216,356	(31,000)
ARRA Special Education Preschool	84.392A	643	9,480	10,147	(703)
ARRA Education Stabilization Fund	84.394	782	536,217	524,456	0
			<b>742,512</b>	<b>750,959</b>	<b>(31,703)</b>

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

The Honorable Board of Education  
Piedmont Independent School District #022  
Canadian County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Piedmont Independent School District #022**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated January 4, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

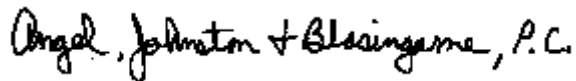
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Finding 2011-1) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Compliance and Other Matters**

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

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of education of **Piedmont Independent School District #022**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be, and should not be used by anyone other than these specified parties.



Chickasha, Oklahoma  
January 4, 2012



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Piedmont Independent School District #I-022  
Canadian County, Oklahoma

Board Members:

Compliance

We have audited **Piedmont Independent School District #I-022**, Canadian County, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered 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, **Piedmont Independent School District #I-022, Canadian County**, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.



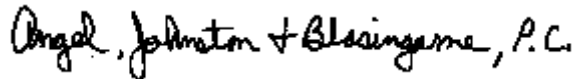
### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Chickasha, Oklahoma  
January 4, 2012

**Piedmont ISD No. 22, Canadian County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |   |   |
|---|---|
| 1. Type of auditor's report issued  | Adverse<br>(Due to F/S being prepared on<br>a regulatory basis of accounting) |
| 2. Internal control over financial reporting;                                       |   |
| a. Material weaknesses identified?  | No  |
| b. Significant Deficiencies identified not considered to be<br>material weaknesses? | Yes   |
| c. Noncompliance material to the financial statements noted?                        | No  |

Federal Awards

- |  |                                |
|--|--------------------------------|
| 1. Internal control over major program:  |                                |
| a. Material weaknesses identified?   | No                             |
| b. Significant Deficiencies identified not considered to be<br>material weaknesses?  | None Reported                  |
| 2. Type of auditor's report issued on compliance for major program:  | Unqualified                    |
| 3. Any audit findings disclosed that are required to be reported in<br>accordance with Circular OMB A-133, Section 510(a)? | No                             |
| 4. Identification of major programs:   |                                |
| <u>CFDA Number</u>   | <u>Name of Federal Program</u> |
| 84.394   | ARRA Stabilization Fund        |
| 84.410   | Education Jobs Fund            |
| 84.027/84.391A/84.932A/84.173  | Special Education Cluster      |
| 10.553/10.555  | Child Nutrition Cluster        |
| 5. Dollar threshold used to distinguish between Type A or Type B<br>programs:  | \$300,000                      |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133,<br>Section 530?                                       | No                             |

**Piedmont ISD No. 22, Canadian County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2011**  
**(continued)**

## **Section 2**

### *Financial Statement Findings*

#### **2011-1 Finding**

*Statement of Condition* - The District pays certain employees above the negotiated agreement amounts for degree hours above +15 hours on the salary scale. In addition, certain employees are paid for years of experience earned outside of Oklahoma Public School (i.e. work at private schools, out of state, college, etc.)

*Criteria* - The negotiated agreement states "Employees will be granted salary credit for professional and military experience as accepted by Oklahoma Law." Since Oklahoma does not recognize experience at private schools, out of state, or college, it appears paying for this experience is not in agreement with the negotiated agreement. Also, the salary scale only provides for +15 hours. Thus, the additional payments do not appear to be consistent with the negotiated agreement.

*Cause/Effect of Condition* - It was handled the same way it had been done in past. Some employees may be paid more than provided for under the negotiated agreement.

*Recommendation* - The district should either change the wording/payscale in the negotiated agreement to be consistent with what is being paid, or the district should pay in accordance with the negotiated agreement.

*Views of Responsible Officials and Planned Corrective Action* - The district has frozen these employees at their current pay until their salary matches the scale amounts.

## **Section 3**

### *Federal Award Findings and Questioned Costs*

(None Reported)

**Piedmont ISD No. 22, Canadian County**  
Disposition of Prior Year's Audit Exceptions  
Year Ended June 30, 2011

*Financial Statement Findings*

**2010-1 Finding - Lack of Segregation of Duties**

*Statement of Condition* -The District has a lack of segregation of duties. The treasurer was also performing the encumbrance clerk's duties during June of 2010.

**Criteria** - A good system of internal controls provides for a proper segregation of the accounting duties.

In addition, Oklahoma statutes prohibits the treasurer and encumbrance clerk from being the same person.

**Cause/Effect of Condition** - The encumbrance clerk resigned in June 2010 and there was no assistant encumbrance clerk. Due to the limited number of personnel available in the accounting area, there is a possibility that errors or irregularities may occur and not be detected within a timely period by another employee while performing their normal procedures.

**Recommendation** - We recommend the District separate the treasurer and encumbrance clerk duties. In addition, the district needs to cross-train additional personnel to perform the duties of the financial personnel.

**Current Status** - The district segregated these duties during the 2010-11 year.

**Management Letter Findings:**

**2010-2 Finding** – We noted the signature section of the teacher's contract and the amount section are printed on separate pages. Thus, it would be possible to change the amounts after the contract was signed by the board of education.

**Recommendation** – We recommend the signature section and the amount section be included on the same page or printed front and back on one page.

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

**2010-3 Finding** - The district does not have a formal vacation policy even though 12 month support personnel receive 2 weeks of vacation. In addition, the district doesn't have a formal way to track vacation days used.

**Recommendation** - We recommend the district establish a formal vacation policy and require tracking of vacation time used.

**Current Status** - OSSBA has prepared a new policy manual but it has not been adopted by the school yet.

**2010-4 Finding** – The superintendent was inadvertently overpaid the amount of flexible benefit. In addition, the district settled with the superintendent by using up his unused vacation time. Even though his contract calls for paying for his unused vacation pay, Title 70-5-141 prohibits administrators from being paid for accumulated vacation leave benefits that are not calculated on the same formula used for other full-time 12 month employees. Since the district does not have a formal vacation policy it appears the settlement might violate Title 70-5-141. And finally, it appears the Superintendent was overpaid by \$1,000. His contract listed an annual salary of \$117,647.40 plus a \$9,600.00 annuity for a total of \$127,247.40 but he was actually paid \$128,247.00.

**Recommendation** - We recommend the district establish a formal policy for paying employees for unused vacation leave upon leaving the district. Also, we recommend someone (other than the payroll clerk) compare payroll payments back to the employment contracts to verify that amounts paid are correct. And finally, we recommend the district contact their attorney to determine what, if anything, needs to be done about the overpayments to the Superintendent.

**Current Status** – This was a one time item and was not noted during the 2010-11 year.

**2010-5 Finding** – The district has certain positions (encumbrance clerk & business manager) that they have deemed to be exempt from the Fair Labor Standards Act and thus time records were not required.

**Recommendation** - We recommend the district should carefully review exempt positions and document why they believe these positions would be exempt from the Fair Labor Standards Act.

**Current Status** – This was corrected during the 2010-11 year.

**2010-6 Finding** – The district's policy (Section 416) is to reimburse for mileage at 24 cents/mile. However, we noted the district is reimbursing mileage at the federal allowable rate (50 to 55cents/mile). Also, we noted reimbursements to restaurants that included multiple meals but it did not state who was in attendance. And finally, the reimbursement form was not always prepared and/or signed by a supervisor.

**Recommendation** – We recommend reimbursements for mileage be made in compliance with the districts policy and that meal reimbursements be documented by a signed reimbursement form stating the individuals eating, date, and business purpose of meal.

**Current Status** – This was corrected during the 2010-11 year.

**2010-07 Finding** – The district's policy states "when possible, quotes will be requested from three vendors". District personnel stated they obtained quotes for supplies from 3 vendors, however they could not locate the quotes for us to review.

**Recommendation** - We recommend the district maintain with their accounting records all quotes received in accordance with board policy.

**Current Status** – Quotes are being kept now.

**2010-8 Finding** – The school spent \$3,301 for on the Job training (OJT). OJT has a project code of 456. However, when the school was reimbursed by the Department of Rehabilitation Services, the revenues were coded to project 462.

**Recommendation** - We recommend the revenues be coded to the same project used to record the expenditures. Further, we recommend that district personnel run reports by project code for revenues and expenditures at the end of the year to see if they match.

**Current Status** – This was corrected before it was sent in to OCAS last year.

**2010 -9 Finding** – All activity fund expenditures are coded to the 2199 function code . However, it appears that many of the expenditures should be coded to either the 1000 or 3200 function codes.

**Recommendation** - We recommend that the district personnel obtain training on coding of activity fund expenditures.

**Current Status** – This was corrected during the 2010-11 year.

**2010-10 Finding** – Oklahoma Department of Education regulations require receipts be issued whenever possible. The district's sponsors did not issue pre-numbered receipts. Instead, the sponsors were using an alternative form but it didn't have some of the information contained on a receipt (i.e. date money was received) and a copy is not provided to the student.

**Recommendation** – In order to establish good internal controls, we recommend sponsors issue pre-numbered receipts whenever possible.

**Current Status** – They started receipting for items over \$10.00 for the 2010-11 year.

**2010-11 Finding** - The district did not pay the required 7.5% federal matching teacher retirement on salaries paid from project 622. The underpayment is approximately \$5,810. It appears the district's software did not have a checkmark in the federal box for this project code. Other federal programs appeared to be handled correctly.

**Recommendation** - We recommend the district contact teacher retirement in regards to how to pay the underpaid amount.

**Current Status** – They repaid the teacher retirement system for the 2009-10 year, and teacher retirement is being calculated correctly for the 2010-11 year.

**2010-12 Finding** – The school has a bank account titled Piedmont Lunch Fund Acct. # 100-050-4 that is used to hold local lunch collections remitted from Sodexo. The school holds these funds in this account until June 30, and then transfers these funds to the Child Nutrition Fund. This bank account is not being recorded or tracked on the School's Treasurer's financial accounting software.

**Recommendation** - We would recommend that this account be included as a sub-account of the activity fund or the school should deposit the funds directly to the Child Nutrition Fund. Either of these methods would allow the funds to be recorded and tracked on an on-going basis.

**Current Status** – This account has been closed and they are now running local lunch collections through the activity fund in the same manner as other activity fund sub-accounts.

**2010-13 Finding** – During our testing of expenditures, the school was unable to locate a purchase order or invoice for a payment made to Alex Bednar in the amount of \$5,635. Also, the school also could not locate an invoice or bill of sale for the purchase of a Ford truck in the amount of \$22,599.

**Recommendation** - The school should maintain supporting documentation for all expenditures.

**Current Status** – We received copies of these invoice later, and it appeared they are doing better job for the 2010-11 year.

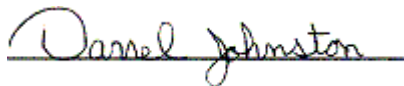
## OTHER INFORMATION

**Piedmont ISD No. 22, Canadian County**  
**Schedule of Accountant's Professional Liability Insurance Affidavit**  
**For Year Ending June 30, 2011**

STATE OF OKLAHOMA     )  
  )ss  
COUNTY OF GRADY     )

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

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Notary Public

My Commission Expires November 12, 2012