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**FINANCIAL STATEMENTS -REGULATORY BASIS  
AND REPORTS OF INDEPENDENT AUDITOR**

**SALLISAW SCHOOL DISTRICT NO. I-1,  
SEQUOYAH COUNTY, OKLAHOMA**

**JUNE 30, 2011**

**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-1  
SEQUOYAH COUNTY, OKLAHOMA  
JUNE 30, 2011**

**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>Table of Contents</b>	1-2
<b>School District Officials</b>	3
<b>Independent Auditor's Report</b>	4-5
<b><u>COMBINED FINANCIAL STATEMENTS:</u></b>	
Combined Statement of Assets, Liabilities and Fund Equity – Regulatory Basis - All Fund Types and Account Groups	6
Combined Statement of Revenues, Expenditures, and Changes in Cash Fund Balances – Regulatory Basis - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Governmental Fund Types	8-10
Notes to Combined Financial Statements	11-24
<b><u>OTHER SUPPLEMENTARY INFORMATION:</u></b>	
<b><u>COMBINING FINANCIAL STATEMENTS:</u></b>	
Combining Statement of Assets, Liabilities and Fund Equity – - Regulatory Basis - All Special Revenue Funds	25
Combining Statement of Revenues, Expenditures, and Changes in Cash Fund Balances – Regulatory Basis - All Special Revenue Funds	26
Combining Statement of Revenues, Expenditures and Changes in Cash Fund Balance - Budget and Actual – Regulatory Basis - Budgeted Special Revenue Fund Types	27

**INDEPENDENT SCHOOL DISTRICT NO. I-1  
SEQUOYAH COUNTY, OKLAHOMA  
JUNE 30, 2011**

TABLE OF CONTENTS

	<u>Page No.</u>
<b><u>OTHER SUPPLEMENTARY INFORMATION:</u> – contd.</b>	
Combining Statement of Assets and Liabilities – Regulatory Basis - All Fiduciary Fund Types	28
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - All Agency Funds	29-30
Schedule of Expenditures of Federal Awards	31-33
Schedule of Surety Bonds	34
<b>Internal Control and Compliance Reports</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 <i>Government Auditing Standards</i>	35-36
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Findings and Questioned Costs	39
Disposition of Prior Year's Schedule of Findings	40
Schedule of Accountant's Professional Liability Insurance Affidavit	41
Audit Acknowledgement	42

**INDEPENDENT SCHOOL DISTRICT NO. I-1  
SEQUOYAH COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

**BOARD OF EDUCATION**

President	Tim Blount
Vice-President	Leanne Whitekiller
Clerk	Bill Orendorff
Member	Jason Ely
Member	Mike Daffin

**SUPERINTENDENT OF SCHOOLS**

Scott Farmer

**MINUTES CLERK**

Stacey England

**SCHOOL DISTRICT TREASURER**

Burley Middleton



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Sallisaw School District No. I-001  
Sallisaw, Oklahoma 74955-9304

I have audited the accompanying regulatory basis financial statements of Sallisaw School District No. I-001, Sallisaw, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sallisaw School District No. I-001, Sallisaw, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Sallisaw School District No. I-001, Sallisaw, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 6, 2012, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Sallisaw School District No. I-001's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins  
Certified Public Accountant, P.C.

January 6, 2012

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS**

**JUNE 30, 2011**

ASSETS	GOVERNMENTAL FUND TYPES			DEBT SERVICE	FIDUCIARY FUND TYPES		TOTALS
	GENERAL	SPECIAL REVENUE			EXPENDABLE TRUST AND AGENCY FUND		
Cash	\$ 3,070,420	969,112		22,503	245,557		4,307,592
Total assets	<u>3,070,420</u>	<u>969,112</u>		<u>22,503</u>	<u>245,557</u>		<u>4,307,592</u>

**LIABILITIES AND FUND EQUITY**

Liabilities							
Warrants payable	750,920	22,234					773,154
Encumbrances	580,017	28,865					608,882
Funds held for school organizations					245,557		245,557
Total liabilities	<u>1,330,937</u>	<u>51,099</u>		<u>-</u>	<u>245,557</u>		<u>1,627,593</u>
Fund Equity							
Cash fund balances	1,739,483	918,013		22,503	-		2,679,999
Reserved cash fund balances							-
Total fund equity	<u>1,739,483</u>	<u>918,013</u>		<u>-</u>	<u>22,503</u>		<u>2,679,999</u>
Total Liabilities and Fund Equity	<u>\$ 3,070,420</u>	<u>969,112</u>		<u>22,503</u>	<u>245,557</u>		<u>4,307,592</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2011**

	<u>GOVERNMENTAL FUND TYPES</u>			<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	
<b>Revenues</b>				
Local sources	\$ 1,843,771	367,718	144	2,211,633
Intermediate sources	168,565			168,565
State sources	9,989,943	18,163		10,008,106
Federal sources	2,516,708	787,560		3,304,268
Non-revenue receipts	21,280	4,060		25,340
<b>Total revenues</b>	<u>14,540,267</u>	<u>1,177,501</u>	<u>144</u>	<u>15,717,912</u>
<b>Expenditures</b>				
Instruction	9,016,437			9,016,437
Support services	5,342,744	31,418		5,374,162
Operation of non-instructional services	87,743	885,999		973,742
Facilities, acquisition and const. services	13,013	67,141		80,154
Other outlays	8,708			8,708
Repayments	38,031			38,031
<b>Total expenditures</b>	<u>14,506,676</u>	<u>984,558</u>	<u>-</u>	<u>15,491,234</u>
Revenues over (under) expenditures	33,591	192,943	144	226,678
<b>Other financing sources (uses)</b>				
Lapsed appropriations	206,654	6,537		213,191
Estopped warrants	1,651	253		1,904
<b>Total other financing sources (uses)</b>	<u>208,305</u>	<u>6,790</u>		<u>215,095</u>
Revenue and other sources over (under) expenditures and other uses	241,896	199,733	144	441,773
Cash fund balance, beginning of year	<u>1,497,587</u>	<u>718,280</u>	<u>22,359</u>	<u>2,238,226</u>
Cash fund balance, end of year	<u>\$ 1,739,483</u>	<u>918,013</u>	<u>22,503</u>	<u>2,679,999</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 1,569,812	1,569,812	1,843,771
Intermediate sources	155,358	155,358	168,565
State sources	9,839,927	9,839,927	9,989,943
Federal sources	2,004,204	2,004,204	2,516,708
Non-revenue receipts			21,280
Total revenues	<u>13,569,301</u>	<u>13,569,301</u>	<u>14,540,267</u>
<b>Expenditures</b>			
Instruction	8,883,427	8,883,427	9,016,437
Support services	4,903,968	4,903,968	5,342,744
Operation of non-instructional services	87,743	87,743	87,743
Facilities acquisitions and construction	13,013	13,013	13,013
Other outlays	9,221	9,221	8,708
Repayments	29,629	29,629	38,031
Non-categorical	1,139,887	1,139,887	
Total expenditures	<u>15,066,888</u>	<u>15,066,888</u>	<u>14,506,676</u>
Revenues over (under) expenditures	(1,497,587)	(1,497,587)	33,591
<b>Other financing sources (uses)</b>			
Lapsed appropriations			206,654
Estopped warrants			1,651
Total other financing sources (uses)			<u>208,305</u>
Revenue and other sources over (under) expenditures and other uses	(1,497,587)	(1,497,587)	241,896
Cash fund balance, beginning of year	<u>1,497,587</u>	<u>1,497,587</u>	<u>1,497,587</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,739,483</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 346,535	346,535	367,718
State sources	15,433	15,433	18,163
Federal sources	689,789	689,789	787,560
Non-revenue receipts			4,060
Total revenues	<u>1,051,757</u>	<u>1,051,757</u>	<u>1,177,501</u>
<b>Expenditures</b>			
Support services	31,418	31,418	31,418
Operation of non-instructional services	857,135	857,135	885,999
Facilities acquisitions and construction	67,141	67,141	67,141
Non-categorical	814,343	814,343	
Total expenditures	<u>1,770,037</u>	<u>1,770,037</u>	<u>984,558</u>
Revenues over (under) expenditures	(718,280)	(718,280)	192,943
<b>Other financing sources (uses)</b>			
Lapsed appropriations			6,537
Estopped warrants			253
Total other financing sources (uses)			<u>6,790</u>
Revenue and other sources over (under) expenditures and other uses	(718,280)	(718,280)	199,733
Cash fund balance, beginning of year	<u>718,280</u>	<u>718,280</u>	<u>718,280</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>918,013</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources			144
State sources			
Non-revenue receipts			
Total revenues	-	-	144
Expenditures			
Other outlays			
Debt service			
Revenues over (under) expenditures	-	-	144
Cash fund balance, beginning of year	22,359	22,359	22,359
Cash fund balance, end of year	\$ 22,359	22,359	22,503

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Sallisaw Public Schools Independent District No. I-1 (the "District") have been prepared in conformity with another 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.

*A. Reporting Entity*

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

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

The governing body of the District is the Board of Education 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 Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**NOTES TO COMBINED FINANCIAL STATEMENTS -  
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies- contd.**

*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."

**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).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include 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.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived 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 the 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2010-11 fiscal year.

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 various nutrition programs provided to students.

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 (including judgments) 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.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District did not maintain this fund during the 2010-11 fiscal year.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**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 a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies- contd.**

*B. Fund Accounting - contd.*

funds 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.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

**Account Group**

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 fixed assets.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

1. **Summary of Significant Accounting Policies-** contd.

B. *Fund Accounting* - contd.

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

**Memorandum Only - Total Column**

The total column on the combined financial statements - regulatory basis 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.

C. *Basis of Accounting and Presentation*

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- 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 requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*C. Basis of Accounting and Presentation – contd.*

recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

*D. Budgets and Budgetary Accounting*

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

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.

*E. Assets, Liabilities and Fund Equity*

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

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2011 is not material to the combined financial statements-regulatory basis.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*E. Assets, Liabilities and Fund Equity – contd.*

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

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatrued obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

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.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. 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.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue 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 were collected within such systems.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures- contd.*

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

The aforementioned state revenues are apportioned to the District's general fund.

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.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate fund for the child nutrition program and the non-special education portion of PL874 Impact Aid are apportioned in the building fund.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies- contd.**

*F. Revenue and Expenditures - contd.*

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

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

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

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers between funds during the 2010-11 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$4,307,592 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk*

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

*Investment Credit Risk*

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

- a. 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.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The District did not hold any investments at June 30, 2011.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be 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 of the date of issue.

The District did not have any outstanding debt balances as of June 30, 2011.

**4. Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**4. Employee Retirement System – contd.**

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement 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.

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$625,838, \$637,161, and \$687,758 respectively.

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
June 30, 2005	\$ 6,952.7	14,052.4	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	\$ 9,566.7	19,980.6	10,414.0	47.9%	3,854.8	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.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**5. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

**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; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY  
BASIS - COMBINING FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
Cash	\$ 750,311	218,801	969,112
Total assets	<u>750,311</u>	<u>218,801</u>	<u>969,112</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Warrants payable		22,234	22,234
Encumbrances		28,865	28,865
Total liabilities	<u>-</u>	<u>51,099</u>	<u>51,099</u>
Fund Equity			
Cash fund balances	<u>750,311</u>	<u>167,702</u>	<u>918,013</u>
Total Liabilities and Fund Equity	<u>\$ 750,311</u>	<u>218,801</u>	<u>969,112</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS</u>
<b>Revenues</b>			
Local sources	\$ 242,718	125,000	367,718
State sources		18,163	18,163
Federal sources	32,553	755,007	787,560
Non-revenue receipts		4,060	4,060
Total revenues	<u>275,271</u>	<u>902,230</u>	<u>1,177,501</u>
<b>Expenditures</b>			
Support services	30,947	471	31,418
Operation of non-instructional services		885,999	885,999
Facilities, acquisition and const. services	67,141		67,141
Total expenditures	<u>98,088</u>	<u>886,470</u>	<u>984,558</u>
Revenues over (under) expenditures	177,183	15,760	192,943
<b>Other financing sources (uses)</b>			
Lapsed appropriations		6,537	6,537
Estopped warrants		253	253
Total other financing sources (uses)	<u>-</u>	<u>6,790</u>	<u>6,790</u>
Revenue and other sources over (under) expenditures and other uses	177,183	22,550	199,733
Cash fund balance, beginning of year	<u>573,128</u>	<u>145,152</u>	<u>718,280</u>
Cash fund balance, end of year	<u>\$ 750,311</u>	<u>167,702</u>	<u>918,013</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 -REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	BUILDING FUND		CHILD NUTRITION FUND	
	ORIGINAL BUDGET	FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
Revenues				
Local sources	\$ 224,135	224,135	\$ 122,400	122,400
State sources			15,433	15,433
Federal sources			689,789	689,789
Non-revenue receipts				4,060
Total revenues	224,135	224,135	827,622	902,230
Expenditures				
Support services	30,947	30,947	471	471
Operation of non-instructional services			857,135	857,135
Facilities acquisitions and construction	67,141	67,141		
Non-categorical	699,175	699,175	115,168	115,168
Total expenditures	797,263	797,263	972,774	886,470
Revenues over (under) expenditures	(573,128)	(573,128)	(145,152)	(145,152)
Other financing sources (uses)				
Lapsed appropriations				6,537
Estopped warrants				253
Total other financing sources (uses)				6,790
Revenue and other sources over (under) expenditures and other uses	(573,128)	(573,128)	(145,152)	(145,152)
Cash fund balance, beginning of year	573,128	573,128	145,152	145,152
Cash fund balance, end of year	\$ -	-	\$ -	167,702

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES**  
**JUNE 30, 2011**

	<u>AGENCY</u> <u>FUNDS</u> <u>ACTIVITY</u> <u>FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 245,557</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Funds held for school organizations	<u>245,557</u>
Total liabilities	<u>245,557</u>
Fund Equity	
Cash fund balances	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 245,557</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>High School</b>					
Academic Team	\$ 42	-		42	-
Art	236	53		50	239
Athletics	101,791	141,710		103,413	140,088
Band	1,632	34,968		30,468	6,132
Chorus	505	260		573	192
ATAE	780	-	(780)	-	-
Foreign Language	238	320		50	508
FFA	9,564	53,808		52,588	10,784
FHA	569	10,438		10,344	663
General	1,937	7,910	860	8,114	2,593
Native American Club	7,209	30		2,888	4,351
Industrial Arts	68	-	(68)	-	-
TSA	6	-	(6)	-	-
Journalism	1,075	772		856	991
Junior Class	2,485	2,865		3,178	2,172
Library	677	152		-	829
Math/Computer	610	49		-	659
National Honor Society	2,563	450		2,278	735
Octagon	6	-	(6)	-	-
Senior Class	45	-		-	45
Sophomore Class	74	-		59	15
Speech	4	1,633		1,396	241
9th Grade	771	1,050		1,683	138
Spirit 10th-12th	1	252		-	253
Student Council	326	6,482		6,693	115
Yearbook	7,016	46,788		50,919	2,885
FBLA/BPA	158	2,429		2,231	356
<b>Middle School</b>					
Athletics	17,350	12,205		12,440	17,115
Band	4,728	15,369		13,333	6,764
Computer Club	32	-		-	32
Library	24	11		15	20
Music	275	621		733	163
Newspaper	52	-		-	52
Office	3,032	4,516		6,212	1,336
Student Council	4,054	2,740		2,736	4,058
TSMS Cheerleading	\$ 497	829		729	597

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Liberty</b>					
Office	\$ 2,625	5,019		5,072	2,572
Media Center	6,867	2,375		586	8,656
M&M	4,592	3,453		3,771	4,274
<b>Eastside</b>					
Office	20,027	4,771		3,792	21,006
Music	314	-		-	314
<b>Administration</b>					
Banquet	-			-	-
Clearing	-	34,205		34,205	-
GED	-	3,560		3,560	-
Rental	-			-	-
Com. Ed	-	756		756	-
Miscellaneous	1,673	1,418		2,677	414
Petty Cash	-	200		200	-
Scholarship	3,200	-		-	3,200
	<u>209,730</u>	<u>404,467</u>	<u>-</u>	<u>368,640</u>	<u>245,557</u>
<b>TOTAL ASSETS - AGENCY FUNDS</b>					
	<u>209,730</u>	<u>404,467</u>	<u>-</u>	<u>368,640</u>	<u>245,557</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<u>\$ 209,730</u>	<u>404,467</u>	<u>-</u>	<u>368,640</u>	<u>245,557</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII Impact Aid - 2011	84.041	S041B117060	\$ 22,517		22,517		22,517
Title VIII Impact Aid - 2008	84.041	S041B087060	5,506		5,506		5,506
Title VIII Impact Aid - 2007	84.041	S041B077060	4,530		4,530		4,530
Title VII-Part A, Indian Education	84.060	S060A100351	197,969		126,801	197,969	(71,168)
Title VII-Part A, Indian Education 2009-10 - Note 1	84.060	S060A090351		(52,355)	52,355		
Subtotal			230,522	(52,355)	211,709	197,969	(38,615)
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		692,608	(110,916)	363,630	594,758	(231,128)
Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010			(1,390)	110,916		
ARRA Title I-Part A	84.389		132,775		65,802	132,775	(68,363)
Title I-Part A, Carryover	84.010		8,831		8,831	8,831	
Title I-Part A, Neglected	84.010		3,846		2,564	3,846	(1,282)
Title I-Part A, Neglected 2009-10 - Note 1	84.010			(2,233)	2,233		
ARRA Title I, Subpart 2, Delinquent	84.389		21,881	(4,775)	4,775	21,881	(8,275)
Title I-Part D	84.013			(6,706)	13,606		
Title I-Part D 2009-10 - Note 1	84.013			(6,706)	6,706		
Title II-Part A, Teacher & Principal Training	84.367		245,509		48,652	128,989	(80,337)
Title II-Part A 2009-10 - Note 1	84.367			(31,503)	31,503		
Title II-Part D, Enhancing Education Thru Tech.	84.318		3,140			2,815	(2,815)
Title II-Part D, Enh. Ed. Thru Tech. 2009-10 - Note 1	84.318			(3,054)	3,054		
Title II-Part D, Professional Development	84.318		502		2,719	502	(502)
Title II-Part D, Professional Development 2009-10 - Note 1	84.318			(2,719)			
Title IV-Part A, Safe & Drug-Free Schools	84.186		3,981		3,542	3,981	(3,981)
Title IV-Part A, Safe & Drug-Free Schools 2009-10 - Note 1	84.186			(3,542)			
* IDEA-Systems of Care	84.173		5,000		234,865	5,000	(5,000)
* Special Education, Flowthrough, P.L. 105-17	84.027		382,939		142,040	344,634	(109,769)
Special Education, Flowthrough 2009-10 - Note 1	84.027			(142,040)			
* Special Education, Early Intervening	84.027		68,322		50,711	68,322	(17,611)
Special Education, Early Intervening 2009-10 - Note 1	84.027			(21,567)	21,567		
* ARRA Special Education, Flowthrough, P.L. 105-17	84.391		\$ 155,482	(46,156)	154,493	155,482	(47,145)

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
* Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		\$ 15,205		7,361	15,205	(7,844)
* Special Education, Preschool, Ages 3-5 2009-10 - Note 1	84.173			(5,080)	5,080		(2,791)
* ARRA Special Education, Preschool, Ages 3-5	84.392		4,537		1,746	4,537	(73,162)
Adult Basic Education	84.002		90,414	(55,978)		73,162	
Adult Basic Education 2009-10 - Note 1	84.002				55,978		(3,839)
Adult Basic Education - Corrections/Institutions	84.002		3,839			3,839	
Temporary Assistance for Needy Families	93.558		41,831	(37,857)		41,831	(41,831)
Temporary Assistance for Needy Families 2009-10 - Note 1	93.558				37,857		
* ARRA Education Stabilization Funds	84.394		472,864		472,864	472,864	
* ARRA GSF	84.397		74,796	74,796		74,796	
* ARRA GSF Textbooks	84.397		42,237	42,237		42,237	
* Education Jobs Fund	84.410		401,890		401,890	401,890	
Subtotal			<u>2,872,429</u>	<u>(358,483)</u>	<u>2,254,985</u>	<u>2,602,177</u>	<u>(705,675)</u>
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		30,436	(9,906)	18,218	30,436	(12,218)
Carl Perkins Grant 2009-10 - Note 1	84.048			(9,906)	9,906		
Subtotal			<u>\$ 30,436</u>	<u>(9,906)</u>	<u>28,124</u>	<u>30,436</u>	<u>(12,218)</u>
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				54,509	54,509	
Non-Cash Assistance Subtotal					<u>54,509</u>	<u>54,509</u>	
Cash Assistance:							
National School Lunch Program	10.555				543,560	543,560	
School Breakfast Program	10.553				198,217	198,217	
Summer Food Service Program	10.559				3,832	13,970	(10,138)
School Breakfast Program 2009-10 - Note 1	10.559			(9,398)	9,398		
Cash Assistance Subtotal				<u>(9,398)</u>	<u>755,007</u>	<u>755,747</u>	<u>(10,138)</u>
Total For Program (Cluster)				<u>(9,398)</u>	<u>809,516</u>	<u>810,256</u>	<u>(10,138)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY  
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>Federal Grantor's/Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2010</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2011</u>
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		\$ 34,900		13,411	34,900	(21,489)
Johnson O'Malley 2009-10 - Note 1	15.130			(18,470)	18,470		
Flood Control	12.112		1,941		1,941	1,941	
Medicaid	93.778		20,621		20,621	20,621	
Subtotal			<u>57,462</u>	<u>(18,470)</u>	<u>54,443</u>	<u>57,462</u>	<u>(21,489)</u>
Total Federal Assistance			<u>\$ 3,190,849</u>	<u>(448,612)</u>	<u>3,358,777</u>	<u>3,698,300</u>	<u>(788,135)</u>

\* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$54,509 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
SCHEDULE OF SURETY BONDS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
State Farm	Superintendent	96ET73194	\$ 100,000	7/1/10-6/30/11
	Treasurer	960019113	\$ 100,000	8/3/10-8/3/11
	Position Bond	960010381	\$ 100,000	6/30/10-6/30/11



**Jack H. Jenkins, CPA** *A Professional Corporation*

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

The Honorable Board of Education  
Sallisaw School District No. I-001  
Sallisaw, Oklahoma 74955-9304

I have audited the regulatory basis financial statements of Sallisaw School District No. I-001, Sallisaw, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon, dated January 6, 2012. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A 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 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.

My 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. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

January 6, 2012



**Jack H. Jenkins, CPA** *A Professional Corporation*

**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  
Sallisaw School District No. I-001  
Sallisaw, Oklahoma 74955-9304

**Compliance**

I have audited the compliance of Sallisaw School District No. I-001, Sallisaw, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

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

In my opinion, Sallisaw School District No. I-001, Sallisaw, 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. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of Sallisaw School District No. I-001, Sallisaw, Oklahoma 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 my

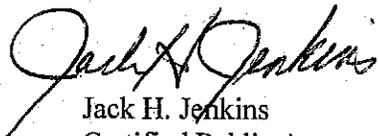
audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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



Jack H. Jenkins  
Certified Public Accountant, P.C.

January 6, 2012

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2010 TO JUNE 30, 2011**

**Summary of Auditor's Results**

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed and the financial statements do not include the general fixed asset account group.
2. The audit disclosed no deficiencies in the internal controls of the financial statements that were considered material weaknesses, but an immaterial instance of noncompliance was noted on the following page.
3. The audit disclosed no deficiencies in the internal controls over major programs that were considered material weaknesses.
4. An unqualified opinion report was issued on the compliance of major programs.
5. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
6. The programs tested as major federal programs were: the Special Education Programs, the Stabilization Funds and Child Nutrition Programs, which were each clustered in the determination and the Education Jobs Fund which was not clustered in the determination and each are designated with asterisks on pages 31-33.
7. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
8. The auditee was not determined to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, SEQUOYAH COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

There were no prior year findings.

INDEPENDENT SCHOOL DISTRICT NO. I-1, SEQUOYAH COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma )  
County of Tulsa )

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

Jack H. Jenkins, CPA, P.C.  
AUDITING FIRM

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
6<sup>th</sup> day of January, 2012

*Michael Kemper*  
NOTARY PUBLIC

