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**SAPULPA INDEPENDENT SCHOOL DISTRICT NO. I-33,
CREEK COUNTY, OKLAHOMA**

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

JUNE 30, 2011

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011

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INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
JUNE 30, 2011

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JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Sapulpa School District No. I-33
Sapulpa, Oklahoma

We have audited the accompanying fund type and account group financial statements of Sapulpa School District No. I-33 (the District), Creek County, Oklahoma as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined financial statements – regulatory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – regulatory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – regulatory basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

As also discussed in Note 1, the combined financial statements – regulatory basis referred to above do not include the general fixed assets account group. The amount that should be recorded in the general fixed assets account group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the combined financial statements – regulatory basis is not known, but presumed to be material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, and because of the omission of the general fixed assets account group as discussed in the fourth paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the financial position of the District as of June 30, 2011, or the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

However, in our opinion, except for the omission of the general fixed assets account group as discussed 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 of the District as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, 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 September 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an opinion on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the combined financial statements – regulatory basis of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements – regulatory basis and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements – regulatory basis taken as a whole.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 30, 2011



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

The Honorable Board of Education
Sapulpa School District No. I-33
Sapulpa, Oklahoma

We have audited the combined financial statements – regulatory basis of Sapulpa School District (the District) No. I-33, Sapulpa, Oklahoma as of and for the year ended June 30, 2011, which, except for the omission of the general fixed assets account group, have been prepared on a basis prescribed by the Oklahoma State Department of Education and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 that are required to be reported under *Government Auditing Standards*.

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 30, 2011



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**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
Sapulpa School District No. I-33
Sapulpa, Oklahoma

Compliance

We have audited Sapulpa School District (the District) No. I-33, Sapulpa, Oklahoma's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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; 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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District's 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 our 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 District'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 school board, management, the Oklahoma State Department of Education and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 30, 2011

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2011

There were no prior year's reportable conditions or material instances of non-compliance.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section 1 – Summary of Auditor’s Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major are Title I Programs (84.010, 84.389), Special Education Programs (84.027, 84.173, 84.391, 84.392), which were clustered in determination and State Fiscal Stabilization Funds (84.394) and Education JOBS Fund (84.410), which were not clustered
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The district was determined not to be a low-risk auditee.

Section 2 – Findings Relating to the Financial Statements Required to be Reported in Accordance with GAGAS:

None

Section 3 – Findings and Questioned Costs for Federal Awards:

None

COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2011

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE			
<u>ASSETS</u>						
Cash	\$ 2,951,521	1,602,182	2,236,768	926,741		10,587,644
Investments	1,700,000	800,000			176,326	2,500,000
Amounts available in debt service						176,326
Amount to be provided for retirement of long-term debt					11,881,887	11,881,887
Total Assets	\$ 4,651,521	2,402,182	2,236,768	926,741	12,058,213	25,145,857

LIABILITIES AND FUND EQUITY

<u>Liabilities:</u>						
Warrants payable	\$ 832,174	47,309				879,483
Encumbrances	182,070	116,616		29,057		327,743
Unmatured obligations			2,060,442			2,060,442
Funds held for school organizations				926,741		926,741
Long-term debt:						
Capital Leases					18,213	18,213
Bonds payable					12,040,000	12,040,000
Total liabilities	1,014,244	163,925	2,060,442	926,741	12,058,213	16,252,622
Fund Equity:						
Cash fund balances	3,637,277	2,238,257	176,326	0	0	8,893,235
Total Liabilities and Fund Equity	\$ 4,651,521	2,402,182	2,236,768	926,741	12,058,213	25,145,857

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

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUSTS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
Revenues Collected:					
Local sources	\$ 5,709,535	1,497,198	3,743,943		10,950,676
Intermediate sources	515,476				515,476
State sources	15,916,914	123,402	908		16,041,224
Federal sources	2,268,015	1,124,845			3,392,860
Interest earnings	107,818	5,700	2,461		115,979
Non-revenue receipts	292,692				292,692
Total revenues collected	<u>24,810,450</u>	<u>2,751,145</u>	<u>3,747,312</u>	<u>0</u>	<u>31,308,907</u>
Expenditures:					
Instruction	15,635,063	37,352		295,091	15,967,506
Support services	9,028,912	538,663		93,912	9,661,487
Operation of non-instructional services	83,249	1,655,121			1,738,370
Facilities acquisition and construction services	92,613			4,510,700	4,603,313
Other outlays:					
Debt service requirements			3,709,649		3,709,649
Repayments	1,733				1,733
Bank fees and cash charges	409				409
Total expenditures	<u>24,841,979</u>	<u>2,231,136</u>	<u>3,709,649</u>	<u>4,899,703</u>	<u>35,682,467</u>
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(31,529)	520,009	37,663	(4,899,703)	(4,373,560)
Other financing sources (uses):					
Adjustments to prior year encumbrances	5,596	24,843			30,439
Bond Sale Proceeds				2,500,000	2,500,000
Total other financing sources (uses)	<u>5,596</u>	<u>24,843</u>	<u>0</u>	<u>2,500,000</u>	<u>2,530,439</u>
Excess of revenues collected over (under) expenditures	(25,933)	544,852	37,663	(2,399,703)	(1,843,121)
Cash fund balances, beginning of year	<u>3,663,210</u>	<u>1,693,405</u>	<u>138,663</u>	<u>5,241,078</u>	<u>10,736,356</u>
Cash fund balances, end of year	<u>\$ 3,637,277</u>	<u>2,238,257</u>	<u>176,326</u>	<u>2,841,375</u>	<u>8,893,235</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:				
Local sources	\$ 5,033,442	5,033,442	5,709,535	676,093
Intermediate sources	515,252	515,252	515,476	224
State sources	16,073,498	16,073,498	15,916,914	(156,584)
Federal sources	3,358,249	3,358,249	2,268,015	(1,090,234)
Interest earnings	125,000	125,000	107,818	(17,182)
Non revenue receipts			292,692	292,692
Total revenues collected	<u>25,105,441</u>	<u>25,105,441</u>	<u>24,810,450</u>	<u>(294,991)</u>
Expenditures:				
Instruction	19,557,494	19,557,494	15,635,063	3,922,431
Support services	9,033,562	9,033,562	9,028,912	4,650
Operation of non-instruction services	83,249	83,249	83,249	
Facilities acquisition and construction services	92,613	92,613	92,613	
Repayments	1,733	1,733	1,733	
Bank fees and cash charges			409	(409)
Total expenditures	<u>28,768,651</u>	<u>28,768,651</u>	<u>24,841,979</u>	<u>3,926,672</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(3,663,210)	(3,663,210)	(31,529)	3,631,681
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>5,596</u>	<u>5,596</u>
Excess of revenues collected over (under) expenditures	(3,663,210)	(3,663,210)	(25,933)	3,637,277
Cash fund balance, beginning of year	<u>3,663,210</u>	<u>3,663,210</u>	<u>3,663,210</u>	<u>0</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>3,637,277</u>	<u>3,637,277</u>

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues Collected:				
Local sources	\$ 1,164,354	1,164,354	1,497,198	332,844
State sources	109,940	109,940	123,402	13,462
Federal sources	1,005,490	1,005,490	1,124,845	119,355
Interest earnings			5,700	5,700
Total revenues collected	<u>2,279,784</u>	<u>2,279,784</u>	<u>2,751,145</u>	<u>471,361</u>
Expenditures:				
Instruction	37,352	37,352	37,352	
Support services	1,946,344	1,946,344	538,663	1,407,681
Operation of non-instructional services	1,989,493	1,989,493	1,655,121	334,372
Total expenditures	<u>3,973,189</u>	<u>3,973,189</u>	<u>2,231,136</u>	<u>1,742,053</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,693,405)	(1,693,405)	520,009	2,213,414
Adjustments to prior year encumbrances	<u>0</u>	<u>0</u>	<u>24,843</u>	<u>24,843</u>
Excess of revenues collected over (under) expenditures	(1,693,405)	(1,693,405)	544,852	2,238,257
Cash fund balances, beginning of year	<u>1,693,405</u>	<u>1,693,405</u>	<u>1,693,405</u>	<u>0</u>
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>2,238,257</u>	<u>2,238,257</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	DEBT SERVICE FUND		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues Collected:			
Local sources	\$ 3,570,986	3,743,943	172,957
State sources		908	908
Interest earnings		2,461	2,461
Total revenues collected	3,570,986	3,747,312	176,326
Requirements:			
Bonds	3,403,750	3,403,750	
Coupons	305,899	305,899	
Total expenditures	3,709,649	3,709,649	0
Excess of revenue collected over (under) expenditures	(138,663)	37,663	176,326
Cash fund balance, beginning of year	138,663	138,663	0
Cash fund balance, end of year	\$ 0	176,326	176,326

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

NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements – regulatory basis of the Sapulpa Public Schools Independent District No. I-33 (the “District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. 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 is 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.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

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 Funds – Special revenue funds include the District’s building, child nutrition and co-op funds.

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting - cont'd

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

Fiduciary 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. The terms "non-expendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. 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 operation.

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain these funds during the 2010-11 fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Fund Accounting – cont'd

Gifts and Endowments Fund – The gifts and endowments 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 the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

An account group is not a fund and consists 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 is established to account for all the 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.

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – cont'd

B. Fund Accounting – cont'd

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 or results of operations 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

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The District does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting – cont'd

The District has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets, as required by generally accepted accounting principles, is not included in the combined financial statements – regulatory basis.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

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.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity

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

Investments – The District is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks 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 and therefore not included in them.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets 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 unmatured 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 cocurricular 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.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

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

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

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 rolls 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 is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, 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 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.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 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 from or additions to the revenue of the year when the adjustment is made.

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

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 passthrough 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 child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

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.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – cont'd

F. Revenue and Expenditures – cont'd

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 cocurricular 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.

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

Inter-fund 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 inter-fund 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 or residual equity transfers during the 2010-11 fiscal year.

2. CASH AND INVESTMENTS

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2011 was \$10,401,289. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2011, the District's investments consisted certificates of deposits and of investment pools (sweep accounts) invested in money market funds with an approximate fair market value of \$2,500,000.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

2. CASH AND INVESTMENTS – cont'd

risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with Spirit Bank, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2011.

4. GENERAL LONG-TERM DEBT

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

General long-term debt of the District consists of general obligation bonds payable and capital leases. Debt service requirements for bonds and judgments are payable solely from the fund balance and the 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 Leases	Total
Balance, July 1, 2010	\$ 12,650,000	124,362	12,774,362
Additions	2,500,000		2,500,000
Retirements	(3,110,000)	(106,149)	(3,216,149)
Balance, June 30, 2011	<u>\$ 12,040,000</u>	<u>18,213</u>	<u>12,058,213</u>

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT – cont'd

A brief description of the outstanding long-term debt at June 30, 2011, is set forth below:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
Combined Purpose Bonds, Series 2007, original issue \$4,600,000, interest rate of 4.35% to 3.5%, annual principal installments of \$1,150,000 final payment due on 6-01-12	\$ 1,150,000
Building Bonds, Series 2007, original issue \$775,000, interest rate of 3.40% to 3.55%, annual installments of \$190,000, final installment of \$205,000 final payment due 7-01-12	395,000
Combined Purpose Bonds, Series 2008, original issue \$4,600,000, interest rate of 4.35% to 3.5%, annual principal installments of \$1,150,000 final payment due on 6-01-12	380,000
Combined Purpose Bonds, Series 2009, original issue \$4,150,000, interest rate of 2.0% to 2.75%, annual principal installments of \$1,035,000 final payment of \$1,045,000 due on 6-01-12	3,115,000
Building Bonds, Series 2010, original issue \$4,500,000, interest rate of 1.65% to 2.15%, annual installments of \$1,125,000, final installment of \$1,125,000 final payment due 6-01-15	4,500,000
Building Bonds, Series 2011, original issue \$2,500,000, interest rate of 1.00% to 1.50%, annual installments of \$625,000, final installment of \$625,000 final payment due 6-01-16	2,500,000
<u>Capital Leases:</u>	
Lease purchase for copier equipment, dated 5-01-06, totaling \$7,282, due in monthly principal and interest installments of \$136	409

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT – cont'd

	<u>Amount Outstanding</u>
Lease purchase for a stock trailer, dated 10-02-07 totaling \$16,036, due in monthly principal and interest installments of \$304	\$ 3,408
Lease purchase of copier equipment, dated 6-02-09, totaling \$23,720, due in monthly principal and interest installments of \$437	<u>14,396</u>
Total Outstanding Debt	<u>\$ 12,058,213</u>

The annual debt service requirements for the retirement of the bonds and capital leases, including the payment of principal and interest are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,693,562	245,551	3,939,113
2013	3,189,942	148,948	3,338,890
2014	2,799,709	95,039	2,894,748
2015	1,750,000	41,376	1,791,376
2016	<u>625,000</u>	<u>9,375</u>	<u>634,375</u>
Total	<u>\$ 12,058,213</u>	<u>540,289</u>	<u>12,598,502</u>

Interest paid on general long-term debt during the 2010-11 fiscal year totaled \$318,468.

5. EMPLOYEE RETIREMENT SYSTEM

Description of Plan

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

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

5. EMPLOYEE RETIREMENT SYSTEM – cont'd

information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee 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. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. For the 2010-11 fiscal year, The District contributed 9.5% and the State of Oklahoma contributed the remaining amount during the year. The District is allowed by Oklahoma Teachers' 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.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. Please visit www.ok.gov/TRS for all plan information.

Annual Pension Cost

The District's total contributions for 2011, 2010 and 2009 were \$2,050,754, \$2,346,946 and \$2,336,979, respectively.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

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; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

7. CONTINGENCIES

Federal Grants

This schedule shows the federal awards received and expended by the District during the 2010-11 fiscal year. The revised OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for non-federal entities which expend more than \$500,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 1,125,367	476,815	1,602,182
Investments	800,000		800,000
	\$ 1,925,367	476,815	2,402,182
Total Assets	\$ 1,925,367	476,815	2,402,182
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants payable	\$ 31,129	16,180	47,309
Encumbrances	82,130	34,486	116,616
Total Liabilities	113,259	50,666	163,925
Fund Equity:			
Cash fund balances	1,812,108	426,149	2,238,257
Total Liabilities and Fund Equity	\$ 1,925,367	476,815	2,402,182

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues Collected:						
Local sources	\$ 679,302	679,302	1,053,629	\$ 485,052	485,052	443,569
State sources			181	109,940	109,940	123,221
Federal sources				1,005,490	1,005,490	1,124,845
Interest earnings			5,604			96
Total revenues collected	<u>679,302</u>	<u>679,302</u>	<u>1,059,414</u>	<u>1,600,482</u>	<u>1,600,482</u>	<u>1,691,731</u>
Expenditures:						
Instruction	37,352	37,352	37,352			
Support services	1,946,344	1,946,344	538,663			
Operation of non-instructional services				1,989,493	1,989,493	1,655,121
Total expenditures	<u>1,983,696</u>	<u>1,983,696</u>	<u>576,015</u>	<u>1,989,493</u>	<u>1,989,493</u>	<u>1,655,121</u>
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	(1,304,394)	(1,304,394)	483,399	(389,011)	(389,011)	36,610
Adjustments to prior year encumbrances	0	0	24,315	0	0	528
Excess of revenues collected over (under) expenditures	(1,304,394)	(1,304,394)	507,714	(389,011)	(389,011)	37,138
Cash fund balances, beginning of year	1,304,394	1,304,394	1,304,394	389,011	389,011	389,011
Cash fund balances, end of year	<u>\$ 0</u>	<u>0</u>	<u>1,812,108</u>	<u>\$ 0</u>	<u>0</u>	<u>426,149</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
 ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
 JUNE 30, 2011

	2009 GEN. OBLIG. BOND FUND	2010 BUILDING BOND FUND	2011 BUILDING BOND FUND	TOTAL
<u>ASSETS</u>				
Cash	\$ 367,682	2,750	2,500,000	2,870,432
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Encumbrances	\$ 29,057	0	0	29,057
Fund Equity:				
Cash fund balances	338,625	2,750	2,500,000	2,841,375
Total Liabilities and Fund Equity	\$ 367,682	2,750	2,500,000	2,870,432

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES
 IN CASH FUND BALANCES - ALL CAPITAL PROJECT FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	2009 GEN. OBLIG. BOND FUND	2010 BUILDING BOND FUND	2011 BUILDING BOND FUND	TOTAL
Revenues Collected:				
Local sources	\$ 0	0	0	0
Expenditures:				
Instruction	295,091			295,091
Support services	93,912			93,912
Facilities acquisition & construction services	13,450	4,497,250		4,510,700
Total expenditures	402,453	4,497,250	0	4,899,703
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(402,453)	(4,497,250)	0	(4,899,703)
Other financing sources (uses):				
Bond Sale Proceeds	0	0	2,500,000	2,500,000
Excess of revenues collected over (under) expenditures	(402,453)	(4,497,250)	2,500,000	(2,399,703)
Cash fund balances, beginning of year	741,078	4,500,000	0	5,241,078
Cash fund balances, end of year	\$ 338,625	2,750	2,500,000	2,841,375

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-1-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
<u>ASSETS</u>					
Cash	\$ 908,385	1,385,237	0	1,366,881	926,741
 <u>LIABILITIES</u>					
Funds held for school organizations:					
HS Office	\$ 7,121	6,952	15,856	25,437	4,492
HS AFS Club	247	0		0	247
HS Debate	17,376	4,746	4,845	9,364	17,603
HS Art	6,841	5,119	2,475	7,535	6,900
HS Band	1,469	25,404	1,759	25,624	3,008
HS China Club	1,172	461		158	1,475
HS Cheerleaders	270	3,203	(275)	225	2,973
HS Art Club	15	0		0	15
HS STAY	1,255	0		100	1,155
HS Counseling Office	10	8,188		7,429	769
HS Business Prof Assoc	1,764	2,900	150	3,669	1,145
HS Faculty Club	38	392	500	908	22
HS French Honor Society	289	0		0	289
HS FCCLA	1,687	4,271	(75)	5,624	259
HS Guitar Club	81	0		0	81
HS Library	208	262		224	246
HS National Honor Society	179	2,453		1,836	796
HS Pow Wow	1,610	0		42	1,568
HS NAACP	30	0		0	30
HS Seniors 2009	1,942	23,866	585	14,112	12,281
HS Seniors 2008	6,282	4,071		10,353	0
HS Seniors 2010	499	75		0	574
HS Science Club	868	548	(333)	763	320
HS Spanish Honor Society	22	960		945	37
HS Special Ed/Olympics	20,239	1,929	10,000	6,992	25,176
HS Student Council	288	2,011	(104)	1,953	242
HS Vocal Music	12,354	17,558	9,725	25,152	14,485
HS Ag Ed & FFA	2,857	39,788	(689)	40,132	1,824
HS C&A Special Ed	4,274	0		0	4,274
HS Yearbook	1,510	22,405	215	23,739	391
HS TMH	734	0		0	734
HS English	73	0		0	73
HS Band Auxiliaries	875	20,491	7,732	20,442	8,656
HS Band Trips	8,884	86,074	4,653	91,526	8,085
HS YAC	65	0		62	3
HS Ping Pings	5	120	856	976	5
HS FCA	177	0		0	177
HS Indian Parent Commit	780	2,563	70	2,092	1,321

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-1-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
HS Sapulpa Indian Club	\$ 617	4,138	(110)	3,873	772
HS Key Club	437	420		610	247
HS Think	46	0		0	46
HS Productions	4,377	2,043		2,157	4,263
HS JROTC	13,479	30,758	(75)	29,757	14,405
HS School Nurse	6,813	3,825	160	2,950	7,848
HS Teens For Christ	167	0		0	167
HS Math	0	0		0	0
HS First Robotics	12,742	1,189	5,000	11,238	7,693
HS Sapulpa Scops	508	1,491		930	1,069
HS Swat	250	0		162	88
JH Office	13,376	4,539	8,560	18,319	8,156
JH Cheerleaders	2,633	14,034		14,493	2,174
JH Home Ec & FHA	154	1,075		1,001	228
JH Library	122	692		310	504
JH Shop	713	533		599	647
JH Student Council	1,809	3,402		3,057	2,154
JH Vocal Music	5,232	18,025		18,253	5,004
JH Student Store	52	0		0	52
JH Yearbook	4,953	9,361	3,000	15,227	2,087
JH Art	1,526	1,007		1,441	1,092
JH Faculty Sunshine	157	19		139	37
JH Recycling	1,619	3,200	1,000	2,954	2,865
MS Office	13,073	3,817	5,929	2,352	20,467
MS Library	1,578	1,305		1,832	1,051
MS Student Store	6,302	4,190		4,321	6,171
MS Student Council	19	0		0	19
MS Yearbook	4,736	6,925		7,020	4,641
MS Art	101	0		16	85
MS Choir	762	4,026		4,338	450
MS Activities/Technology	557	0		0	557
MS NASA	55	217		0	272
OCAP Library	21,041	0	25,000	28,865	17,176
SAFE	564	430		630	364
Liberty Library	391	3,044		3,006	429
Liberty Misc	11,629	2,945	1,558	8,471	7,661
Liberty Fundraising	6,403	13,576		12,542	7,437
Freedom Misc	31,312	28,395	1,466	32,822	28,351
Freedom Fundraising	35,634	27,173		13,493	49,314
Jefferson Hts Misc	386	911	1,348	1,603	1,042
Jefferson Hts Fundraising	5,860	19,642		19,466	6,036
Jefferson Hts Grants	4,980	2,560		4,470	3,070
Jefferson Hts Library	1,626	4,583		3,902	2,307

INDEPENDENT SCHOOL DISTRICT NO. 1-33, CREEK COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

	BALANCE 7-1-10	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-11
Washington Misc	\$ 4,118	11,445	1,318	12,309	4,572
Washington Fundraising	1,005	13,716		10,266	4,455
Woodlawn Misc	1,070	4,262	1,279	3,358	3,253
Woodlawn Fundraising	27,376	24,063	(1,756)	34,960	14,723
Woodlawn Helping Kids	27	0		0	27
Woodlawn Library	2,925	9,393		10,605	1,713
Woodlawn Grants	2,743	3,118	1,756	3,819	3,798
Central Office Fund	2,349	0		0	2,349
NOW (Interest Income)	10,388	5,523	(166)	9,797	5,948
Drivers Education	16,080	17,325	6,825	20,905	19,325
APEX	9,335	3,870		10,745	2,460
Night Sch/Summer Sch	2,695	0		2,445	250
Latchkey	155,376	210,712		173,842	192,246
Education Foundation	50	0		0	50
Kids Hideout	10,190	19,739		19,620	10,309
Local Sch Child Welfare	27,113	28,000		30,143	24,970
Impact Program	33,051	0	10,000	3,316	39,735
Wellness Program	85	0		0	85
Child Nutrition Banquet	0	0	1,531	1,531	0
SPS Food Serv Assoc	3,092	1,860	(87)	513	4,352
Soft Drink Money	63,193	72,746	(45,136)	12,203	78,600
Alternative School	38,920	191	1,034	13,854	26,291
Jackson Scholarship	54	500		500	54
Clearing Account	0	149,748	(127,500)	22,248	0
Service Center	2,540	85	176	1,173	1,628
ASI - After School Instruct.	740	285		438	587
5th Grad Elem Basketball	2,648	6,551		7,165	2,034
6th Grade Elem Basketball	1,089	2,321		2,685	725
Centennial Plaza Project	639	0		0	639
Student Activity Drug Testing	2,353	7,540		9,853	40
Hider Trust - FFA Scholarship	28,126	0		500	27,626
Hider Trust - JROTC Scholar	28,126	0		0	28,126
Hider Trust - Dr Ed Scholarship	28,126	0	(6,825)	0	21,301
Cannon Scholarship	1,670	0		1,000	670
STEM - Camp Invention	19,387	5,085	14,000	16,874	21,598
Baseball Donation	10,000	77,525		87,470	55
Steenbergen Scholarship	600	0		300	300
STEM First Lego League	0	0	7,000	32	6,968
STEM JH Math and Science	0	0	24,000	16,693	7,307
TJK Scholarship	0	200	0	0	200
Athletic - All Sports	36,262	172,008	1,770	197,795	12,245
Athletic - Booster Club	11,663	27,126		23,891	14,898
Total Liabilities	\$ 908,385	1,385,237	0	1,366,881	926,741

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	CFDA Number	Federal Grantor's/ Pass-through No.	Program or Award Amount	Balance at 7/1/10	Revenue Collected	Total Expenditures	Balance at 6/30/11
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Indian Education	84.060	S060A100902	\$ 192,885		192,885	192,885	
<u>Passed Through State Department of Education</u>							
* Title I Basic Program	84.010		702,103		291,944	613,162	321,218
Title I Basic 2009-10 - Note	84.010			5,887	5,887		
* Title I, ARRA	84.389		172,751			140,003	140,003
Title I, ARRA 2009-10 - Note	84.389			165,593	165,593		
* Stabilization Funds, ARRA	84.394		849,618		849,618	849,618	
* Education Jobs, ARRA	84.410		339,238		234,072	338,676	104,604
Title II Part A	84.367		220,462		115,902	147,477	31,575
Title II Part A 2009-10 - Note	84.367			13,196	13,196		
Title II Part D	84.318		2,247			1,243	1,243
Title II Part D 2009-10 - Note	84.318			4,680	4,680		
<u>* Special Education Programs:</u>							
IDEA-B Flowthrough	84.027		870,502			850,774	850,774
IDEA-B Flowthrough 2009-10 - Note	84.027			23,459	23,459		
IDEA-B Flowthrough, ARRA	84.391		509,281			498,994	498,994
IDEA-B Flowthrough, ARRA 2009-10 - Note	84.391			208,573	208,573		
IDEA-B PBIS	84.027		8,984		3,294	3,294	
IDEA-B PBIS 2009-10 - Note	84.027			2,791	2,791		
IDEA-B Systems of Care	84.027		5,000			2,127	2,127
IDEA-B Systems of Care 2009-10 - Note	84.027			4,920	4,920		
IDEA-B Preschool	84.173		14,181		14,181	14,181	
IDEA-B Preschool, ARRA	84.392		12,836			12,636	12,636
Sub Total			<u>3,707,203</u>	<u>429,099</u>	<u>1,938,110</u>	<u>3,472,185</u>	<u>1,963,174</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins grant	84.048		32,318		32,318	32,318	
Carl Perkins grant 2009-10 - Note	84.048			10,469	10,469		
Sub Total			<u>32,318</u>	<u>10,469</u>	<u>42,787</u>	<u>32,318</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>							
<u>Passed Through State Department of Education:</u>							
<u>Child Nutrition Programs:</u>							
School breakfast program	10.553				273,343	273,343	
National school lunch program	10.555				821,626	821,626	
Summer food program	10.559				7,030	20,198	13,168
Summer food program 2009-10 - Note	10.559			22,846	22,846		
Sub Total				<u>22,846</u>	<u>1,124,845</u>	<u>1,115,167</u>	<u>13,168</u>
<u>Passed Through Department of Human Services:</u>							
<u>Non-Cash Assistance-Commodities - Note 1</u>							
National school lunch program	10.555				113,923	113,923	
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		43,260		11,861	28,051	16,190
Johnson O'Malley, 3 month	15.130		7,919		7,916	7,916	
Johnson O'Malley 2009-10 - Note	15.130			8,941	8,941		
Job Training	84.126		5,496		4,756	5,495	739
Flood Control	12.112		625		625	625	
ROTC	12.401		60,134		60,134	60,134	
Sub Total			<u>117,434</u>	<u>8,941</u>	<u>94,233</u>	<u>102,221</u>	<u>16,929</u>
Total Federal Assistance			<u>\$ 4,049,840</u>	<u>471,355</u>	<u>3,506,783</u>	<u>5,028,699</u>	<u>1,993,271</u>

* - Major programs

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

Note 1 - Commodities received by the District in the amount of \$113,923 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY 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>
CNA Surety - Westen Surety Company	Treasurer	18272732	\$ 500,000	07/01/10 - 07/01/11
	Encumbrance Clerk	70402481	50,000	10/30/10 - 10/30/11
	Activity Fund	70402481	100,000	10/30/10 - 10/30/11
	Child Nutrition Director	70402481	10,000	10/30/10 - 10/30/11
	Minutes Clerk/ Payroll	70402481	100,000	10/30/10 - 10/30/11
	Superintendent	70402481	100,000	10/30/10 - 10/30/11
	Assistant Treasurer	70402481	100,000	10/30/10 - 10/30/11
	Payroll Clerk	70402481	100,000	10/30/10 - 10/30/11

INDEPENDENT SCHOOL DISTRICT NO. I-33, CREEK COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT

JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma)
) ss
County of Tulsa)

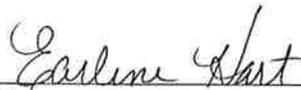
The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with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

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP
Auditing Firm

By 
Authorized Agent

Subscribed and sworn to before me
This 30th day of September, 2011




Notary Public (or Clerk or Judge)

My Commission Expires: 5-19-12
Commission No. 00008621



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

September 28, 2011

Dr. Mary Webb, Supt.
Sapulpa Public Schools
1 South Mission
Sapulpa, Oklahoma 74066

Dear Dr. Webb:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. These items are referred to in your audit report. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

No Audit Exceptions

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP