

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

**SPERRY SCHOOL DISTRICT NO. 1-8,  
TULSA COUNTY, OKLAHOMA**

**JUNE 30, 2012**

**Audited by**

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

**INDEPENDENT SCHOOL DISTRICT NO. I-8  
TULSA COUNTY, OKLAHOMA  
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. I-8  
TULSA COUNTY, OKLAHOMA  
JUNE 30, 2012**

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**INDEPENDENT SCHOOL DISTRICT NO. 1-8  
TULSA COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2012**

**BOARD OF EDUCATION**

President	Jeff Carter
Vice-President	Gary Juby
Clerk	April Bowman
Member	Derrell Morrow
Member	Michelle Beats

**SUPERINTENDENT OF SCHOOLS**

Brian Beagles

**MINUTES CLERK**

Cindy Underwood

**SCHOOL DISTRICT TREASURER**

Carla Ready



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

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Sperry School District No. I-008  
Sperry, Oklahoma 74073-0610

I have audited the accompanying regulatory basis financial statements of Sperry School District No. I-008, Sperry, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2012. 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.

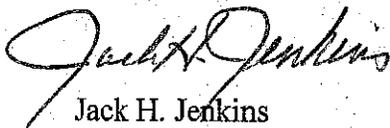
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of 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 Sperry School District No. I-008, Sperry, Oklahoma as of June 30, 2012, 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, which 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 Sperry School District No. I-008, Sperry, Oklahoma, as of June 30, 2012, 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 30, 2013, 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 Sperry School District No. I-008'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 30, 2013

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2012**

ASSETS	GOVERNMENTAL FUND TYPES			CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE				2012	2011
Cash	\$ 1,968,648	296,994	612,179	786,378	209,938		3,874,137	2,603,289
Investments	300,000					37,782	300,000	300,000
Amounts available in debt service							37,782	25,784
Amounts to be provided for retirement of general long-term debt						1,912,218	1,912,218	1,824,216
Total Assets	<u>2,268,648</u>	<u>296,994</u>	<u>612,179</u>	<u>786,378</u>	<u>209,938</u>	<u>1,950,000</u>	<u>6,124,137</u>	<u>4,753,289</u>

**LIABILITIES AND FUND EQUITY**

Liabilities								
Warrants payable	563,739	20,753					584,492	307,666
Encumbrances	117,415	26,064					143,479	350
Funds held for school organizations					209,938		209,938	193,200
Unmatured obligations			574,397				574,397	535,984
Long-term debt:								
Bonds payable						1,950,000	1,950,000	1,850,000
Total liabilities	<u>681,154</u>	<u>46,817</u>	<u>574,397</u>		<u>209,938</u>	<u>1,950,000</u>	<u>3,462,306</u>	<u>2,887,200</u>
Fund Equity								
Cash fund balances	1,587,494	250,177	37,782	786,378			2,661,831	1,866,089
Total Liabilities and Fund Equity	<u>\$ 2,268,648</u>	<u>296,994</u>	<u>612,179</u>	<u>786,378</u>	<u>209,938</u>	<u>1,950,000</u>	<u>6,124,137</u>	<u>4,753,289</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2012**

	GOVERNMENTAL FUND TYPES			TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only)
	2012	2012	2012	2012	2011
Revenues					
Local sources	\$ 1,027,434	254,185	600,495		1,847,143
Intermediate sources	216,648				205,066
State sources	5,972,931	9,357			5,342,162
Federal sources	446,949	385,934			1,836,400
Non-revenue receipts	29,198	732			34,515
Total revenues	<u>7,693,160</u>	<u>650,208</u>	<u>600,495</u>		<u>9,265,266</u>
Expenditures					
Instruction	4,958,004				4,633,909
Support services	2,462,724	91,467		17,575	2,707,433
Operation of non-instructional services	42,930	548,385			467,859
Facilities, acquisition and const. services	2,000	29,800			453,342
Other uses	7,137		588,497		12,990
Debt service					549,044
Repayments					31,901
Total expenditures	<u>7,472,795</u>	<u>669,652</u>	<u>588,497</u>	<u>17,575</u>	<u>8,856,478</u>
Revenues over (under) expenditures	220,365	(19,444)	11,998	(17,575)	408,808
Other financing sources (uses)					
Lapsed appropriations		35			7,895
Estopped warrants	186	1,057			2,431
Bank charges	(880)				(835)
Bond proceeds				600,000	600,000
Total other financing sources (uses)	<u>(694)</u>	<u>1,092</u>		<u>600,000</u>	<u>609,491</u>
Revenue and other sources over (under) expenditures and other uses	219,671	(18,352)	11,998	582,425	1,018,299
Cash fund balance, beginning of year	1,367,823	268,529	25,784	203,953	847,790
Cash fund balance, end of year	<u>\$ 1,587,494</u>	<u>250,177</u>	<u>37,782</u>	<u>786,378</u>	<u>1,866,089</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2012**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 892,773	892,773	1,027,434
Intermediate sources	188,140	188,140	216,648
State sources	5,398,385	5,785,823	5,972,931
Federal sources	670,619	670,619	446,949
Non-revenue receipts			29,198
Total revenues	<u>7,149,917</u>	<u>7,537,355</u>	<u>7,693,160</u>
<b>Expenditures</b>			
Instruction			4,958,004
Support services			2,462,724
Operation of non-instructional services			42,930
Facilities, acquisition and const. services			2,000
Other uses			7,137
Non-categorical	8,517,740	8,905,178	
Total expenditures	<u>8,517,740</u>	<u>8,905,178</u>	<u>7,472,795</u>
Revenues over (under) expenditures	(1,367,823)	(1,367,823)	220,365
<b>Other financing sources (uses)</b>			
Estopped warrants			186
Bank charges			(880)
Total other financing sources (uses)			<u>(694)</u>
Revenue and other sources over (under) expenditures and other uses	(1,367,823)	(1,367,823)	219,671
Cash fund balance, beginning of year	<u>1,367,823</u>	<u>1,367,823</u>	<u>1,367,823</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,587,494</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 226,331	226,331	254,185
State sources	8,603	8,603	9,357
Federal sources	353,071	353,071	385,934
Non-revenue receipts			732
Total revenues	<u>588,005</u>	<u>588,005</u>	<u>650,208</u>
<b>Expenditures</b>			
Support services			91,467
Operation of non-instructional services			548,385
Facilities, acquisition and const. services			29,800
Non-categorical	856,534	856,534	
Total expenditures	<u>856,534</u>	<u>856,534</u>	<u>669,652</u>
Revenues over (under) expenditures	(268,529)	(268,529)	(19,444)
<b>Other financing sources (uses)</b>			
Lapsed Appropriation			35
Estopped warrants			1,057
Total other financing sources (uses)			<u>1,092</u>
Revenue and other sources over (under) expenditures and other uses	(268,529)	(268,529)	(18,352)
Cash fund balance, beginning of year	<u>268,529</u>	<u>268,529</u>	<u>268,529</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>250,177</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2012**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 562,713	562,713	600,495
Expenditures			
Other outlays			
Debt service	588,497	588,497	588,497
Revenues over (under) expenditures	(25,784)	(25,784)	11,998
Cash fund balance, beginning of year	25,784	25,784	25,784
Cash fund balance, end of year	\$ -	-	37,782

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-8, TULSA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Sperry Public Schools Independent District No. I-8 (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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 2011-12 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.

**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-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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. The District did not maintain any expendable trust funds in the 2011-12 fiscal year.

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-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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 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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

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

Inventories - The value of consumable inventories at June 30, 2012 is not material to the combined financial statements-regulatory basis.

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 unmaturred 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 unmaturred obligations.

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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 owned. 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-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 or residual equity transfers made during the 2011-12 fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2012, the District held deposits of approximately \$4,174,137 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.).

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
 NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2012**

**2. Deposits and Investments – cont'd**

The investments held at June 30, 2012 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
<b>Investments</b>			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>300,000</u>	<u>300,000</u>
<b>Total investments</b>		<u>\$ 300,000</u>	<u>\$ 300,000</u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$300,000).

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

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

3. **General Long-term Debt – contd.**

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012:

	Bonds Payable
Balance, July 1, 2011	\$ 1,850,000
Additions	600,000
Retirements	500,000
Balance, June 30, 2012	\$ 1,950,000

A brief description of the outstanding long-term debt at June 30, 2012 is set forth below:

	Amount outstanding
<u>General Obligation Bonds</u>	
Building Bonds, Series 2007, original issue \$500,000, average interest rate of 3.82%, due in annual installments of \$125,000 beginning 7-01-09, final payment due 7-01-12;	\$ 125,000
Building Bonds, Series 2008, original issue \$500,000, interest rate of 3.13-4.05%, due in annual installments of \$125,000 beginning 7-01-10, final payment due 7-01-13;	250,000
Building Bonds, Series 2009, original issue \$500,000, average interest rate of 2.0-2.5%, due in annual installments of \$125,000 beginning 7-01-11, final payment due 7-01-14;	375,000
Building Bonds, Series 2010, original issue \$400,000, interest rate of 1.80-2.00%, due in annual installments of \$130,000 beginning 7-01-12, final payment due 7-01-14;	400,000
Building Bonds, Series 2011, original issue \$200,000, average interest rate of 1.0-2.40%, due in annual installments of \$50,000 beginning 6-01-13, final payment due 6-01-16;	\$ 200,000

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

3. **General Long-term Debt – contd.**

	<u>Amount outstanding</u>
<u>General Obligation Bonds – contd.</u>	
Comb. Purpose Bonds, Series 2011, original issue \$600,000, average interest rate of 1.0-2.0%, due in annual installments of \$150,000 beginning 7-01-13, final payment due 7-01-16;	<u>600,000</u>
Totals	<u>\$ 1,950,000</u>

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 555,000	35,854	590,854
2014	580,000	22,741	602,741
2015	465,000	11,683	476,683
2016	200,000	5,425	205,425
2017	150,000	2,550	152,550
Total	<u>\$ 1,950,000</u>	<u>78,253</u>	<u>2,028,253</u>

There was \$50,084 interest paid on general long-term debt incurred during the current year.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

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. 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 2012, 2011 and 2010 were \$439,544, \$434,107, and \$462,218 respectively.

**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.

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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.

**7. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2012</u>	<u>2011</u>
Cash	<u>\$ 159,425</u>	<u>137,569</u>	<u>296,994</u>	<u>283,837</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	6,950	13,803	20,753	14,958
Encumbrances	<u>25,836</u>	<u>228</u>	<u>26,064</u>	<u>350</u>
Total liabilities	<u>32,786</u>	<u>14,031</u>	<u>46,817</u>	<u>15,308</u>
Fund Equity				
Cash fund balances	<u>126,639</u>	<u>123,538</u>	<u>250,177</u>	<u>268,529</u>
Total Liabilities and Fund Equity	<u>\$ 159,425</u>	<u>137,569</u>	<u>296,994</u>	<u>283,837</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2012**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2012	2011
<b>Revenues</b>				
Local sources	\$ 141,387	112,798	254,185	243,624
State sources		9,357	9,357	9,056
Federal sources		385,934	385,934	380,730
Non-revenue receipts		732	732	609
Total revenues	<u>141,387</u>	<u>508,821</u>	<u>650,208</u>	<u>634,019</u>
<b>Expenditures</b>				
Instruction			-	10
Support services	91,467		91,467	113,029
Operation of non-instructional services		548,385	548,385	423,265
Facilities, acquisition and const. services	29,800		29,800	
Repayments			-	31,901
Total expenditures	<u>121,267</u>	<u>548,385</u>	<u>669,652</u>	<u>568,205</u>
Revenues over (under) expenditures	20,120	(39,564)	(19,444)	65,814
<b>Other financing sources (uses)</b>				
Lapsed appropriations	35		35	-
Estopped warrants	135	922	1,057	17
Total other financing sources (uses)	<u>170</u>	<u>922</u>	<u>1,092</u>	<u>17</u>
Revenue and other sources over (under) expenditures and other uses	20,290	(38,642)	(18,352)	65,831
Cash fund balance, beginning of year	<u>106,349</u>	<u>162,180</u>	<u>268,529</u>	<u>202,698</u>
Cash fund balance, end of year	<u>\$ 126,639</u>	<u>123,538</u>	<u>250,177</u>	<u>268,529</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 -REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2012**

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 119,883	119,883	141,387	106,448	106,448	112,798
State sources				8,603	8,603	9,357
Federal sources				353,071	353,071	385,934
Non-revenue sources						732
Total revenues	<u>119,883</u>	<u>119,883</u>	<u>141,387</u>	<u>468,122</u>	<u>468,122</u>	<u>508,821</u>
Expenditures						
Support services			91,467			548,385
Operation of non-instructional services			29,800			
Facilities, acquisition and const. services				630,302	630,302	
Non-categorical	<u>226,232</u>	<u>226,232</u>	<u>121,267</u>	<u>630,302</u>	<u>630,302</u>	<u>548,385</u>
Total expenditures						
Revenues over (under) expenditures	<u>(106,349)</u>	<u>(106,349)</u>	<u>20,120</u>	<u>(162,180)</u>	<u>(162,180)</u>	<u>(39,564)</u>
Other financing sources (uses)						
Lapsed appropriations			35			922
Estopped warrants			135			922
Total other financing sources (uses)			<u>170</u>			
Revenue and other sources over (under) expenditures and other uses	<u>(106,349)</u>	<u>(106,349)</u>	<u>20,290</u>	<u>(162,180)</u>	<u>(162,180)</u>	<u>(38,642)</u>
Cash fund balance, beginning of year	<u>106,349</u>	<u>106,349</u>	<u>106,349</u>	<u>162,180</u>	<u>162,180</u>	<u>162,180</u>
Cash fund balance, end of year	\$ -	\$ -	<u>126,639</u>	\$ -	\$ -	<u>123,538</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2012**

	2011 COMB PURP BOND FUND	2011 BUILDING BOND FUND	2009 BUILDING BOND FUND	TOTALS (Memorandum Only) 2012                      2011
Cash	\$ 597,506	184,919	3,953	786,378              203,953

LIABILITIES AND FUND EQUITY

Fund equity				
Cash fund balances	597,506	184,919	3,953	786,378              203,953
Total Liabilities and Fund Equity	\$ 597,506	184,919	3,953	786,378              203,953

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2012**

	2011 COMP PURP BOND FUND	2011 BUILDING BOND FUND	2009 BUILDING BOND FUND	TOTALS (Memorandum Only) 2012      2011
Revenues				
Local sources				-
Expenditures				
Support Services	\$ 2,494	15,081		17,575
Facilities, acquisition & const. services				400,000
Total Expenditures	<u>2,494</u>	<u>15,081</u>		<u>17,575</u>
Revenues over (under) expenditures	(2,494)	(15,081)		(17,575)
Other financing sources (uses)				
Bond sales proceeds	<u>600,000</u>			<u>600,000</u>
Revenue and other sources over (under) expenditures and other uses	597,506	(15,081)		582,425
Cash fund balance, beginning of year	-	200,000	3,953	203,953
Cash fund balance, end of year	<u>\$ 597,506</u>	<u>184,919</u>	<u>3,953</u>	<u>786,378</u>
				<u>203,953</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2012**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2012	2011
<u>ASSETS</u>		
Cash	\$ 209,938	193,200
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 209,938	193,200

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**REGULATORY BASIS - ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Athletic Program	\$ 13,289	70,447		77,474	6,262
Football Fundraiser	801	10,656		11,371	86
Boys Basketball Fundraiser	55	8,167		8,190	32
Girls Basketball Fundraiser	122	7,011		7,070	63
Girls Softball Fundraiser	2,310	2,114		3,227	1,197
Boys Wrestling Fundraiser	340	1,000		1,105	235
Softball Booster Club	355	1,810		381	1,784
Special Boys Baseball	1,380	-		-	1,380
Basketball Booster Club	240	260		-	500
Baseball Fundraiser	5,001	9,188		13,018	1,171
Miscellaneous	9,881	3,582		5,718	7,745
FFA	10,283	30,793		27,821	13,255
Special Olympics	233	1,315		1,348	200
Yearbook	8,993	13,212		17,301	4,904
Band	3,330	11,181		9,566	4,945
H.S. Cheerleaders	2,531	10,527		9,637	3,421
High School Account	8,805	9,330		17,760	375
Interest	5,629	242		-	5,871
Daycare	55,966	48,939		10,576	94,329
Band Booster Club	-	7,700		1,566	6,134
Elementary	8,852	31,975		35,206	5,621
Key Club	475	2,552		2,783	244
M.S. Student Council	1,110	3,067		2,916	1,261
M.S. Cheerleaders	3,264	1,200		3,080	1,384
Library	455	1,681		1,927	209
Clearing	-	9,107		183	8,924
4-H/FFA Parent's Club	4	-		-	4
Intermediate Elementary	11,469	8,908		14,903	5,474
Middle School Account	4,301	7,720		8,136	3,885
Football Fan Club	9,642	15,692		15,526	9,808
H.S. Student Council	127	1,048		1,051	124
Concession	9,705	34,960		37,791	6,874
FCCLA	1,466	2,506		3,020	952
Home Economics	31	-		-	31
Drama	720	765		1,040	445
National Honor Society	132	480		363	249
Choir	\$ 313	-		-	313

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

<u>Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Elementary Library	\$ 1,997	6,377		5,812	2,562
Academic Bowl	1,092	-		-	1,092
AP Account	195	1,730		1,423	502
Basketball Cheerleaders	92	-		-	92
Wrestling Cheerleaders	9	-		-	9
1st Robotics	3,646	7,186		7,681	3,151
Intermediate Library	1,213	4,814		4,716	1,311
Flower Donations	61	-		-	61
Food Service	-	382		-	382
Class of 2011	108	-		-	108
Class of 2012	2,778	4,256		6,684	350
Class of 2013	239	5,204		5,363	80
Class of 2014	160	240		59	341
Class of 2015	-	320		114	206
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<b><u>193,200</u></b>	<b><u>399,644</u></b>	<b><u>-</u></b>	<b><u>382,906</u></b>	<b><u>209,938</u></b>
 <b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<b><u>\$ 193,200</u></b>	<b><u>399,644</u></b>	<b><u>-</u></b>	<b><u>382,906</u></b>	<b><u>209,938</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VII-Part A, Indian Education	84.060	S060A110387	\$ 86,309	(21,140)	30,384	80,360	(49,976)
Title VII-Part A, Indian Education 2010-11 - Note 1	84.060			(21,140)	21,140		
Subtotal			86,309	(21,140)	51,524	80,360	(49,976)
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		320,756	(4,183)	152,548	299,316	(146,768)
Title I-Part A, Improving Basic Programs 2010-11 - Note 1	84.010			(4,183)	4,183		
* Title I-Part A, Carryover	84.010		12,706	(8,337)	8,337	12,024	(12,024)
ARRA Title I-Part A	84.389						
Title II-Part A, Teacher & Principal Training	84.367		60,009	(48,340)	28,784	49,852	(21,068)
Title II-Part A 2010-11 - Note 1	84.367			(48,340)	48,340		
Special Education, Flowthrough, P.L. 105-17	84.027		243,824	(41,924)	98,176	98,176	
Special Education, Flowthrough 2010-11 - Note 1	84.027			(41,924)	41,924		
Title VI-Small, Rural School Ach. Program	84.358		55,108			52,867	(52,867)
Subtotal			\$ 692,403	(102,784)	382,292	512,235	(232,727)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				29,276	29,276	
Non-Cash Assistance Subtotal					29,276	29,276	
Cash Assistance:							
National School Lunch Program	10.555				290,117	290,117	
School Breakfast Program	10.553				94,805	94,805	
Summer Food Program	10.559				1,012	4,236	(3,224)
Cash Assistance Subtotal					385,934	389,158	(3,224)
Total For Program (Cluster)					415,210	418,434	(3,224)

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2011	Revenue Collected	Total Expenditures	Ending Balance 6/30/2012
<u>Other Federal Assistance:</u>						
ARRA Cobra Co-Payment	17.151	\$ 6,443		6,443	6,443	
Flood Control	12.112	959		959	959	
OJT	84.126	5,731		5,731	5,731	
Subtotal		<u>13,133</u>	-	<u>13,133</u>	<u>13,133</u>	-
Total Federal Assistance		<u>\$ 791,845</u>	<u>(123,924)</u>	<u>862,159</u>	<u>1,024,162</u>	<u>(285,927)</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 \$29,276 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 I-8, TULSA COUNTY  
SCHEDULE OF SURETY BONDS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
American States Insurance Co.	Payroll/Minutes Clerk	6287852	\$ 15,000	6/30/11-6/30/12
	Activity Fund Custodian	6593257	\$ 15,000	7/1/11-7/1/12
Old Republic Surety Co.	Superintendent	W150072292	\$ 100,000	9/20/11-9/20/12
	Treasurer	W150034172	\$ 100,000	7/1/11-7/1/12
	Encumbrance Clerk	W150118057	\$ 100,000	2/6/12-2/6/13



**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  
Sperry School District No. I-008  
Sperry, Oklahoma 74073-0610

I have audited the regulatory basis financial statements of Sperry School District No. I-008, Sperry, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated January 30, 2013. 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 qualified 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.

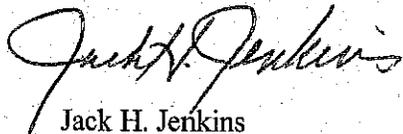
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 one (1) instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs. I also reported this matter to the District's management in a separate letter dated January 30, 2013.

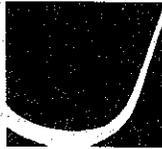
The District's response to the finding identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

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 30, 2013



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

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

The Honorable Board of Education  
Sperry School District No. I-008  
Sperry, Oklahoma 74073-0610

**Compliance**

I have audited the compliance of Sperry School District No. I-008, Sperry, 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, 2012. 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, Sperry School District No. I-008, Sperry, 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, 2012. 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 Sperry School District No. I-008, Sperry, 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 30, 2013

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2011 TO JUNE 30, 2012**

**Summary of Auditor's Results**

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I programs and Child Nutrition programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 1, 2011 TO JUNE 30, 2012**

**Findings – Financial Statement Audit**

12-01 – Federal Claims

Condition: The District failed to file the final claims for reimbursement of expenditures incurred under the Special Education Flow Through and Preschool programs in the amount of \$144,634 and \$5,411, respectively, for fiscal year 2012.

Criteria: Claims for reimbursement of expenditures should be filed with the Oklahoma State Department of Education by the September 30<sup>th</sup> deadline each year.

Effect: The District did not receive at least \$150,045 in reimbursements that it was entitled to, which negatively affected its fund balance.

Recommendation: That claims for reimbursement be filed on a regular basis prior to the September 30<sup>th</sup> deadline.

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

None

**INDEPENDENT SCHOOL DISTRICT NO. 1-8, TULSA COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2011 TO JUNE 30, 2012**

None.

**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2011 TO JUNE 30, 2012**

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 Sperry School District for the audit year 2011-12.

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

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
4 day of, Feb, 2013

*Karla Jenkins*  
NOTARY PUBLIC



**INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2011 TO JUNE 30, 2012**

The annual independent audit for Sperry School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

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

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

\_\_\_\_\_  
Superintendent of Schools

\_\_\_\_\_  
Date of Board Meeting

\_\_\_\_\_  
Board of Education President

\_\_\_\_\_  
Board of Education Clerk

\_\_\_\_\_  
Board of Education Vice President

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

Subscribed and sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
My commission expires on \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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

Affix Notary Seal

INDEPENDENT SCHOOL DISTRICT NO. I-8, TULSA COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2011 TO JUNE 30, 2012

The annual independent audit for Sperry School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

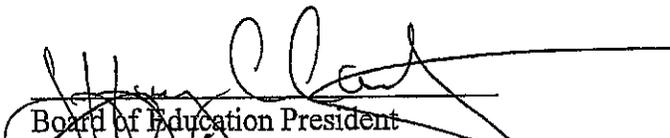
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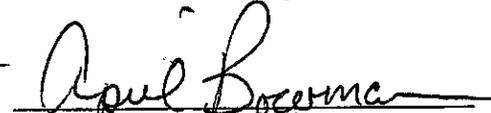
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"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

  
Superintendent of Schools

2/11/13  
Date of Board Meeting

  
Board of Education President

  
Board of Education Clerk

  
Board of Education Vice President

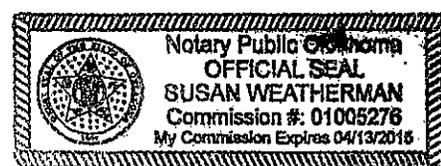
  
Board of Education Member

  
Board of Education Member

Subscribed and sworn to before me on this 11 day of February, 2013.  
My commission expires on 13 day of February, 2015.

  
Notary Public

Affix Notary Seal





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

January 30, 2013

Sperry Public Schools  
Attn: Dr. Brian Beagles  
PO Box 610  
Sperry, OK 74073-0610

Dear Dr. Beagles:

Listed below is an audit exception and recommendation from the final audit work we performed for you. Please review carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education and the Oklahoma State Auditor's office within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that is an immaterial instance of noncompliance with laws and regulations and which is included in the audit report. This comment requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

12-01 – Federal Claims

Condition: The District failed to file the final claims for reimbursement of expenditures incurred under the Special Education Flow Through and Preschool programs in the amount of \$144,634 and \$5,411, respectively, for fiscal year 2012.

Criteria: Claims for reimbursement of expenditures should be filed with the Oklahoma State Department of Education by the September 30<sup>th</sup> deadline each year.

Effect: The District did not receive at least \$150,045 in reimbursements that it was entitled to, which negatively affected its fund balance.

Recommendation: That claims for reimbursement be filed on a regular basis prior to the September 30<sup>th</sup> deadline.

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,

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



# Sperry Schools

Excellence in Education

**SPERRY PUBLIC SCHOOLS**  
400 W. MAIN STREET  
SPERRY, OK 74073

*Brian Beagles, Ed.D. Superintendent*  
(918)288-7213  
Fax (918) 288-7067

February 5, 2013

Jack H. Jenkins  
Certified Public Accountant, P.C.  
10026-A S. Mingo Rd. #309  
Tulsa, OK 74133-5700

Dear Mr. Jenkins:

This letter of response is written to address the audit exception you identified and the recommendation you provided while performing the audit for the year ending June 30, 2012. This letter first addresses the events leading up to our failure to timely submit the claims you identified, and then it explains the processes we have revised and implemented to prevent repetition of such error.

You correctly report that the final claims for reimbursement for Special Education Flow Through and Preschool programs were not submitted within the required timeline. This incident was brought to my attention on the morning of November 26, 2012. Susan Weatherman entered my office and informed me that the final special education claim for January through June of FY 2012 had not been paid and that she did not think the claim had been filed. I assured Susan that the flow through claim had been submitted, as I had discussed filing all the final federal claims on several occasions with the person who was responsible for submitting claims.

I had several meetings in July with the person responsible for submitting claims to discuss the status of submitting all final federal claims. In one of the meetings, I was informed that projects, 511, 512, and 561 were the only projects with the final claims not already submitted. On July 24, 2012, I sent an email to this person instructing her to get all the final federal claims submitted. I sent this email primarily to check on these final three claims, as I had been informed all the other final claims, including special education claims, had been submitted.

On July 31, 2012, the person submitting the federal claims sent me an email letting me know that she had faxed off the final 511 claim. In response, I emailed back say, "So, 100% of 511 are made? How about 512 and Title VII claims? If not, they need to be done today." She responded by saying, "All claims have been submitted including 512." At this point, I felt good about the status of the claims, as I knew from the earlier meetings that 511, 512, and 561 program claims were the only claims that had not been submitted.

After hearing Susan's concerns, I instructed her to meet with the person who filed the claims to review all of the claims from last year to make sure the claims had actually been submitted as I was informed in July. After some investigation, the final special education claim could not be located. I then instructed Susan to contact the SDE to see if they had received the claim. Pam Kimery, with the Department of Special Education Services, researched the issue and determined that the final claim had not been submitted.

It then became obvious to me that all federal claims had not been submitted as I had been assured. I asked the person who submitted claims to come into the conference room, along with Brent Core the district's director of federal programs, so we could discuss how this issue happened. I started the meeting by saying, "I need to talk with you to determine what happened with this claim issue." I then explained the situation as I understood it. I also said, "I don't understand how this could happen. We met several times in July to discuss the claims and you assured me that you had filed all the special education claims and all the other federal program claims. Help me understand how this issue could happen from your point of view." The person responded by saying, "I just forgot to submit the final special education claims." I replied by saying, "But you told me in July that they were already submitted." She replied by saying, "I know, but I just forgot to submit them." This person is no longer employed by the district.

New processes have been established, with improved checks and balances, to prevent this situation from happening again. The process for submitting, monitoring, and verifying federal claims and payments has been amended and expanded to include the Federal Programs Director, the Encumbrance Clerk, and the Treasurer. The revised process includes the following steps:

1. The federal program director will prepare the claim reports and all associated documentation each month one work week before the expenditure report due date. The due dates for monthly submission of federal claims are listed below.

<b>Reporting Period</b>	<b>Due Date</b>
July 1 - July 31, 2012	October 23, 2012
August 1 - August 31, 2012	October 23, 2012
September 1 - 30, 2012	October 23, 2012
October 1 - 31, 2012	November 20, 2012
November 1 - 30, 2012	December 18, 2012
December 1 - 31, 2012	January 22, 2013
January 1 - 31, 2013	February 19, 2013
February 1 - 28, 2013	March 26, 2013
March 1 - 31, 2013	April 23, 2013
April 1 - 30, 2013	May 21, 2013

<u>Reporting Period</u>	<u>Due Date</u>
May 1 - 31, 2013	June 18, 2013
June 1 - 30, 2013	August 1, 2013

2. The federal program director will review the claim report and documentation, scan and upload the file, and complete the required on-line documentation at least three days before the monthly claim due date.
3. The federal program director will then notify the superintendent that the reimbursement claims have been uploaded and the superintendent will certify the claims at least one day before the due date.
4. The federal program director and the encumbrance clerk will check the grants management Web page to verify submission and will continue to check the claim status and make corrections as required until approval status is granted by the SDE.
5. The federal program director and the treasurer will conduct weekly checks on the reimbursement status.
6. The federal program director will confirm payment with the treasurer when the notification of payment to the district is made by the SDE. The federal program director will place payment notifications in a binder with copies of the reimbursement claim requests to document that each claim has been paid. The treasurer and the federal programs director will review the amount submitted for reimbursement and the amount paid to the district to verify proper payment.

These internal controls are designed to ensure timely submission and active monitoring of federal claims by increasing both the number of individuals involved and the communication among the individuals involved in the claims process. The federal program director and person submitting the claims last year performed most of the claims process independently of one another. This process should increase awareness of the due dates for submitting claims, direct additional review of claims to be submitted, and create a verification process for claims that are paid.

Thank you for your assistance in this matter and please let me know if you have questions or need additional information pertaining to this issue.

Respectfully,



Brian Beagles, Ed.D.  
Superintendent of Schools