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State Auditor & Inspector

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AUDIT REPORT

Stringtown Independent School District

Atoka County, Oklahoma

July 1, 2010 to June 30, 2011

Prepared By:

John D. Turrentine CPA, P.C.
607 East Main Street
Stigler Oklahoma 74462

STRINGTOWN SCHOOL DISTRICT NO. I-7

ATOKA COUNTY, OKLAHOMA

JUNE 30, 2011

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John D. Turrentine
Certified Public Accountant, P.C.
607 East Main Street
Stigler Oklahoma 74462

Independent Auditor's Report

The Honorable Board of Education
Stringtown School District I-007

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Stringtown School District I-007, Atoka 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 Stringtown School District I-007. 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 the standards applicable to financial audits contained in *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 financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Stringtown School District prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In my opinion, because of the school district's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the combined financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Stringtown School District, as of June 30, 2011, or the revenues collected and expenses paid for the year then ended.

As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory presentation prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

However, in my opinion, except for the effects of the omission of the general fixed asset account group, the combined 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 Stringtown School District, Atoka County, Oklahoma, as of June 30, 2011, and the revenues collected and expenses paid for the year then ended on the regulatory basis of accounting described in Note 1.

My audit was made for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statement. The combining fund statements and other schedules as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. 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 also not a required part of the basic financial statements of the Stringtown School District. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and in my 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.

In accordance with Government Auditing Standards, I have also issued a report dated October 6, 2011 on my considerations of the Stringtown School 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.

This report is intended solely for the information and use of the board of education of the Stringtown School District C-021, Atoka County, Oklahoma, Oklahoma State Department of Education, and certain federal regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Turrentine", written over a horizontal line.

John D. Turrentine, CPA P.C.
October 6, 2011

John D. Turrentine
Certified Public Accountant P.C.
607 East Main Street
Stigler Oklahoma 74462

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Board of Education
Stringtown School District No. I-007
Stringtown, Atoka County, Oklahoma

I have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Stringtown School District I-007, Stringtown, Oklahoma as of and for the year ended June 30, 2011 and have issued my report thereon dated October 6, 2011, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed assets account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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 financial statements, 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.

My 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 that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or 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.

Stringtown School District No. I-7
Combined Statement of Assets, Liabilities and Fund Balance
All Fund Types and Account Groups
June 30, 2011

<u>Assets</u>	<u>Governmental Fund Types</u>				<u>Fiduciary</u>	<u>Total</u>	
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>General</u>	<u>Type</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>Revenue</u>	<u>Service</u>	<u>Long Term</u>	<u>Agency</u>	<u>2010</u>	<u>2011</u>	
Cash & Cash Equivalents	\$702,162	\$102,744	\$55,140	\$0	\$23,509	\$685,898	\$883,555
Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	<u>\$705,162</u>	<u>\$102,744</u>	<u>\$55,140</u>	<u>\$0</u>	<u>\$23,509</u>	<u>\$685,898</u>	<u>\$883,555</u>
Amount Available in Debt Service			\$55,140			\$44,422	\$55,140
Amount to be Provided			34,860			\$123,397	\$34,860
Total Assets	<u>\$705,162</u>	<u>\$102,744</u>	<u>\$90,000</u>	<u>\$0</u>	<u>\$23,509</u>	<u>\$853,717</u>	<u>\$973,555</u>
<u>Liabilities & Fund Balance</u>							
Warrants Payable	\$282,875	\$6,154	\$0	\$0	\$224	\$525,928	\$289,253
Encumbrances	\$736	\$0	\$0	\$0	\$0	\$0	\$736
Total Current Liabilities	<u>\$283,611</u>	<u>\$6,154</u>	<u>\$0</u>	<u>\$0</u>	<u>\$224</u>	<u>\$525,928</u>	<u>\$289,989</u>
Bonds Payable			\$90,000			\$135,000	\$90,000
Interest Payable			\$0			\$850	\$0
Capital Leases			\$0			\$31,969	\$0
Total Long-Term Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$90,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$167,819</u>	<u>\$90,000</u>
TOTAL LIABILITIES	<u>\$283,611</u>	<u>\$6,154</u>	<u>\$90,000</u>	<u>\$0</u>	<u>\$224</u>	<u>\$693,747</u>	<u>\$379,989</u>
Cash Fund Balance	\$418,551	\$96,590	\$55,140	\$0	\$23,285	\$159,970	\$593,566
TOTAL FUND BALANCE	<u>\$418,551</u>	<u>\$96,590</u>	<u>\$55,140</u>	<u>\$0</u>	<u>\$23,285</u>	<u>\$159,970</u>	<u>\$593,566</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$702,162</u>	<u>\$102,744</u>	<u>\$55,140</u>	<u>\$90,000</u>	<u>\$23,509</u>	<u>\$853,717</u>	<u>\$973,555</u>

*The accompanying notes are an integral part of these financial statements.

Stringtown School District No. I-7
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance
- Regulatory Basis - All Governmental Fund Types
June 30, 2011

	<u>Governmental Fund Types</u>			Debt <u>Service Fund</u>	Fiduciary <u>Type</u>	Total (Memorandum Only)	
	<u>General</u>	<u>Special Revenue</u>				<u>June 30, 2011</u>	<u>June 30, 2010</u>
<u>Revenues</u>							
Local Sources	\$ 261,780	\$ 53,690	\$ 60,263	\$ 96,479	\$ 472,212	\$446,361	
Intermediate Sources	34,270	0	0	0	34,270	16,765	
State Sources	1,490,683	8,998	0	0	1,499,681	1,389,554	
Federal Sources	<u>287,577</u>	<u>105,302</u>	<u>0</u>	<u>0</u>	<u>392,879</u>	<u>358,233</u>	
Total Revenues	<u>\$ 2,074,310</u>	<u>\$167,990</u>	<u>\$ 60,263</u>	<u>\$ 96,479</u>	<u>\$2,399,042</u>	<u>\$ 2,210,913</u>	
<u>Expenditures:</u>							
Instruction	\$ 875,875	\$ 0	\$ 0	\$ 0	\$ 875,875	\$863,885	
Support Services	789,106	0	0	0	789,106	1,106,198	
Non-Instructional Services	21,656	106,682	0	0	128,338	125,438	
Facilities Acquisition	0	31,364	0	0	31,364	47,023	
Repayments	0	0	0	0	0	8,231	
Other Outlays	16	0	49,545	91,201	140,762	152,445	
Total Expenditures:	<u>\$ 1,686,654</u>	<u>\$138,046</u>	<u>\$ 49,545</u>	<u>\$ 91,201</u>	<u>\$1,965,445</u>	<u>\$ 2,303,220</u>	
Revenue Over(Under) Expenditures	\$ 387,656	\$ 29,944	\$ 10,718	\$ 5,278	\$ 433,596	\$ (92,307)	
Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Revenue Over(Under) Expenditures and other financing sources	\$ 387,656	\$ 29,944	\$ 10,718	\$ 5,278	\$ 433,596	\$ (92,307)	
Fund Balance June 30, 2010	\$ 30,894	\$ 66,646	\$ 44,422	\$ 18,007	\$ 159,970	\$252,278	
Fund Balance June 30, 2011	<u>\$ 418,551</u>	<u>\$ 96,590</u>	<u>\$ 55,140</u>	<u>\$ 23,285</u>	<u>\$ 593,566</u>	<u>\$159,970</u>	

*The accompanying notes are an integral part of these statements.

STRINGTOWN SCHOOL DISTRICT NO. 1-7
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
- BUDGET AND ACTUAL - BUDGETED GOVERNMENTAL FUND TYPES
June 30, 2011

	General		Special Revenue	
	Original Budget	Final Budget	Original Budget	Final Budget
Revenues Collected				
Local Sources	\$ 27,286	\$ 27,286	\$ 19,587	\$ 19,587
Intermediate Sources	15,088	15,088	0	0
State Sources	1,453,890	1,453,890	8,681	8,681
Federal Sources	140,751	140,751	66,712	66,712
Other Sources	0	0	0	0
Total Revenues	<u>\$1,637,015</u>	<u>\$1,637,015</u>	<u>\$ 94,980</u>	<u>\$ 94,980</u>
				<u>\$ 53,690</u>
				8,998
				105,302
				<u>\$ 167,990</u>
Expenditures Paid				
Instruction	\$1,035,026	\$1,035,026	\$ 0	\$ 0
Support Services	818,084	818,084	0	0
Non-instruction Services	17,675	17,675	115,602	115,602
Other Outlays	2,549	2,549	0	0
Repayments	0	0	0	0
Facility acquisition	0	0	0	0
Total Expenditures	<u>\$1,873,334</u>	<u>\$1,873,334</u>	<u>75,370</u>	<u>75,370</u>
				<u>\$138,046</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances				\$ 29,944
Adjustments to prior year encumbrances				\$ 0
Other financing sources (uses):				
Bond sale proceeds				\$ 0
Operating Transfers In				0
Operating Transfers Out				0
Total other financing sources (uses)				\$ 0
Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)				\$ 29,944
Cash fund Balance, beginning of year				<u>\$ 66,646</u>
Cash fund Balance, end of year				<u>\$ 96,590</u>

*The accompanying notes are an integral part of these statements.

STRINGTOWN SCHOOL DISTRICT NO. 1-7
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
- BUDGET AND ACTUAL - BUDGETED GOVERNMENTAL FUND TYPES
June 30, 2011

	<u>Sinking Fund</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Local Sources	\$ 50,329	\$ 50,329	\$ 60,263
Intermediate Sources	0	0	0
State Sources	0	0	0
Federal Sources	0	0	0
Other Sources	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 50,329</u>	<u>\$ 50,329</u>	<u>\$60,263</u>

Expenditures Paid

Instruction	\$ 0	\$ 0	\$ 0
Support Services	0	0	0
Non-instruction Services	0	0	0
Other Outlays	50,329	50,329	49,545
Facility acquisition	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 50,329</u>	<u>\$ 50,329</u>	<u>\$ 49,545</u>

Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances

\$ 10,718

Adjustments to prior year encumbrances

\$ 0

Other financing sources (uses):

Bond sale proceeds

\$ 0

Operating Transfers In

0

Operating Transfers Out

0

Total other financing sources (uses)

\$ 0

Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)

\$ 10,718

Cash fund Balance, beginning of year

\$ 44,422

Cash fund Balance, end of year

\$ 55,140

***The accompanying notes are an integral part of these statements.**

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

The financial statements of the Stringtown Public Schools Independent District No. 7 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by 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 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 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 School Education Foundation is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the Foundation.

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

STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 services 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 buildings 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 fund is the District's Building Fund. The building fund consists of monies derived from investment income and property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture & equipment. The Child Nutrition Fund is also considered a special revenue fund with funds coming from state aid, Department of Agriculture funds, and from student fees and is used for purchasing food, supplies, certain authorized equipment, and salaries.

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

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 facilities, renovating existing facilities, and acquiring transportation equipment.

STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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).

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" 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 operations.

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

Account Groups

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

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 liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district. The District currently does not maintain this account group.

Memorandum Only - Total Column

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

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

C. Basis of Accounting

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 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.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

D. Budgets and Budgetary Accounting

The Stringtown School 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.

STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

All annual encumbrances and appropriations lapse at fiscal year end.

E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of Commercial Bank Certificate of Deposit and direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half taxes are due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented. This is a departure from the Regulatory Basis Presentation.

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

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable available financial resources.

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

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

F. Revenue, Expenses and Expenditures

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 district 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 years errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical 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 be expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

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

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

G. Statement of Cash Flows

The District has not presented a statement of cash flows in the fiscal 2011 financial statements.

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, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the District's investment policy is to comply with these requirements. The district's current investments consist of bank certificates of deposit.

Deposits and Investments - The District's cash deposits and investments at June 30, 2011 of \$883,555 were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the district or by its agent in the district's name.

3. General Long-Term Debt

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

General long-term debt of the District consists of General Obligation Bonds and Capital Leases. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
General Obligation Bldg Bonds	135,000	0	45,000	90,000
Capital Lease Obligations	31,969	0	31,969	0
TOTAL	166,969	0	76,969	90,000

The District had entered into lease agreements as lessee for financing the acquisition of various leaseables of a saferoom project. This lease agreement qualified as a capital lease for accounting purposes since title transferred at the end of the lease term and it had been recorded at the present value of the future minimum lease payments. This lease contained a clause which gave the District the ability to terminate the lease agreement at the end of each fiscal year.

As disclosed in Note 1 to the financial statements, the district does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the leased property as an asset in the General Fixed Assets Account Group.

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

The District issued General Obligation Building Bonds dated January 1, 2003 in the amount of \$400,000 to James Baker & Associates, Oklahoma City, Oklahoma, in association with Ameristate Bank, Atoka, Oklahoma, trustee for the sinking funds. The bonds payable mature in amounts ranging from \$40,000 to \$45,000 on January 1 and bear interest ranging from 3.15% to 6.00% for an average of 3.961054% payable on January 1 and July 1. The bonds were issued for the general purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment, and acquiring and improving school sites.

A Summary of the future Maturities to Maturity is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	45,000	3,690	48,690
2013	45,000	1,890	46,890
TOTALS	90,000	5,580	95,580

Employee Retirement System

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

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

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten

**STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarial determined, and it's employees are established by Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.0% beginning January 1, 2009 and 9.5% beginning January 1, 2010 and thereafter. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7% of regular annual compensation.

The District's required and actual contributions to the System for the years ending June 30, 2009, 2010, and 2011 were \$148,557, \$154,407, and \$153,936 respectively.

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 unfunded actuarial accrued liability of the System, as determined as part on the latest actuarial valuation dated June 30, 2010, is as follows:

Total actuarial accrued liability	\$17,560,754,452
Less Actuarial value of assets	<u>9,960,576,151</u>
Unfunded actuarial accrued liability	<u>\$ 7,600,178,301</u>

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

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

STRINGTOWN SCHOOL DISTRICT NO. I-007
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5. Contingencies

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

6. Risk Management

The District is exposed to various risks to loss. The District purchases commercial insurance to manage these various risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled Claims have not exceeded this insurance coverage in any of the past three fiscal years.

**STRINGTOWN SCHOOL DISTRICT NO. I-007
 COMBINING STATEMENT OF ASSETS, LIABILITIES
 AND CASH FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 June 30, 2011**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total</u>
ASSETS			
Cash & Cash Equivalents	\$ 72,870	\$ 29,874	\$102,744
Investments	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 72,870</u>	<u>\$ 29,874</u>	<u>\$102,744</u>
LIABILITIES AND CASH FUND BALANCES			
Liabilities:			
Outstanding warrants	\$ 0	\$ 6,154	\$ 6,154
Encumbrances	<u>\$ 0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 6,154</u>	<u>\$ 6,154</u>
Cash Fund Balance	<u>\$ 72,870</u>	<u>\$ 23,720</u>	<u>\$ 96,590</u>
Total Liabilities and Cash Fund Balances	<u>\$ 72,870</u>	<u>\$ 29,874</u>	<u>\$102,744</u>

***The accompanying notes are an integral part of these financial statements**

STRINGTOWN SCHOOL DISTRICT NO. I-7
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
June 30, 2011

	<u>Building</u> <u>Fund</u>	<u>Child</u> <u>Nutrition</u> <u>Fund</u>	Total (Memorandum Only)	
			<u>2010</u>	<u>2011</u>
REVENUES COLLECTED:				
District Sources	\$ 38,145	\$ 15,545	\$ 47,130	\$53,690
State Sources	0	8,998	15,360	8,998
Federal Sources	<u>23,963</u>	<u>81,339</u>	<u>88,142</u>	<u>105,302</u>
Total Revenue	<u>\$ 62,108</u>	<u>\$105,882</u>	<u>\$150,631</u>	<u>\$167,990</u>
Support Services	\$ 0	\$ 0	\$ 35,113	\$ 0
Facilities Acquisition	31,364	0	47,023	31,364
Non-instructional Services	0	106,682	85,814	106,682
Capital Outlay	0	0	0	0
Other Outlays	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 31,364</u>	<u>\$106,682</u>	<u>\$167,950</u>	<u>\$138,046</u>
Excess of Revenues Collected Over (Under) Expenses Paid Before Adjustments to Prior Year Encumbrances	<u>\$ 30,744</u>	<u>\$ (801)</u>	<u>\$ (17,319)</u>	<u>\$ 29,944</u>
Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - Beginning of Year	<u>\$ 42,126</u>	<u>\$ 24,520</u>	<u>\$ 83,965</u>	<u>\$ 66,646</u>
Fund Balance - End of Year	<u>\$ 72,870</u>	<u>\$ 23,720</u>	<u>\$ 66,646</u>	<u>\$ 96,590</u>

*The accompanying notes are an integral part of these financial statements.

STRINGTOWN SCHOOL DISTRICT NO. I-007
COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2011

<u>Sub-Account</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Adjustments</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Competitive Athletics	\$ 5,111	\$ 31,531	\$ 1,766	\$ 27,226	\$ 11,181
FFA	3,357	31,204	(118)	31,204	1,665
Class of 2010	77	471	0	548	0
Science Club	44	0	0	0	44
Kate Denton Potts Award	1,323	50	125	300	1,198
Class of 2012	1,563	805	82	997	1,454
Class of 2013	620	616	68	0	1,305
Grade School	2,420	3,656	405	2,309	4,172
Year Book	889	4,787	(2)	4,920	754
Flower Fund	3	377	0	358	22
Child Nutrition	0	15,647	(102)	15,545	0
Class of 2014	1,006	69	254	90	1,239
SR 4-H Club	28	0	0	0	28
Class of 2015	20	109	19	0	148
Petty Cash	0	0	0	0	0
Student Council	6	0	0	0	6
Class of 2009	533	0	(510)	24	0
National Honor Society	0	0	0	0	0
Class of 2011	1,524	2,927	1,459	5,907	3
JR 4-H Club	15	0	0	0	15
Class of 2016	0	39	13	0	52
BPA-Business Prof. of America	0	0	0	0	0
Total	\$ 18,007	\$ 92,288	\$3,969	\$ 90,979	\$ 23,285

*The accompanying notes are an integral part of these statements.

STRINGTOWN SCHOOL DISTRICT NO. 1-7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - STATUTORY BASIS
For the Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Approved Amount	Balance at June 30, 2010	Receipts	Expenditures	Balance at June 30, 2011
U.S. Department of Education						
Direct Programs:						
Impact Aid	84.041	\$ 32,082	\$ 0	\$ 32,082	\$ 6,000	\$ 26,082
Indian Education	84.060	\$ 21,659	\$ 0	\$ 21,659	\$ 21,659	\$ 0
Title VI REAP	84.358A	\$ 26,540	\$ 0	\$ 26,540	\$ 26,540	\$ 0
Passed Through State Dept of Education:						
Title I	84.010	\$ 55,475	\$ (1,469)	\$ 34,431	\$ 55,475	\$ (22,514)
ARRA Title I Part A	84.389	\$ 7,728	\$ (14,740)	\$ 7,638	\$ 7,728	\$ (14,830)
Title II, Part A REAP	84.367	\$ 13,136	\$ 0	\$ 10,577	\$ 13,136	\$ (2,559)
Title II, Part D REAP	84.318	\$ 163	\$ 0	\$ 163	\$ 163	\$ 0
Title IV Drug Education REAP	84.186	\$ 893	\$ 0	\$ 0	\$ 893	\$ (893)
IDEA-B flow through	84.027	\$ 58,038	\$ 0	\$ 48,946	\$ 58,038	\$ (9,092)
ARRA IDEA-B flow through	84.391	\$ 342	\$ 0	\$ 342	\$ 342	\$ 0
IDEA-B Preschool	84.173	\$ 1,067	\$ 0	\$ 700	\$ 1,067	\$ (367)
ARRA IDEA-B Risk Pool	84.391	\$ 1,067	\$ 0	\$ 0	\$ 1,067	\$ (1,067)
ARRA Ed Jobs Fund	84.410	\$ 59,157	\$ 0	\$ 59,157	\$ 59,157	\$ 0
TOTAL Dept. of Education		<u>\$197,066</u>	<u>\$ (16,209)</u>	<u>\$161,954</u>	<u>\$197,066</u>	<u>\$ (51,322)</u>
U.S. Dept. of Agriculture:						
Passed through the State Dept. of Education:						
USDA Lunch	10.555	\$ 48,533	\$ 0	\$ 48,533	\$ 48,533	\$ 0
USDA Breakfast	10.553	\$ 32,806	\$ 0	\$ 32,806	\$ 32,806	\$ 0
Passed Through Dept of Human Services:						
Non Cash Commodities**	10.555	\$ 3,985	\$ 0	\$ 3,985	\$ 3,985	\$ 0
Other Programs:						
Johnson O'Malley	15.130	\$ 3,965	\$ 0	\$ 0	\$ 3,965	\$ (3,965)
ARRA Ed Stabilization Fund	83.394	\$ 69,305	\$ 0	\$ 69,305	\$ 69,305	\$ 0
ARRA Textbooks	84.397	\$ 0	\$ 11,366	\$ 0	\$ 11,366	\$ 0
TOTALS		<u>\$435,941</u>	<u>\$ (4,843)</u>	<u>\$396,864</u>	<u>\$421,226</u>	<u>\$ (29,205)</u>

* The accompanying notes are an integral part of this statement

** Commodities received in the amount of \$3,985 were a non-cash revenue and expenditure.

Stringtown School District No. I-7
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2011

There were no prior year reportable conditions or material instances of non-compliance for the Stringtown School District.

***The accompanying notes are an integral part of these financial statements.**

STRINGTOWN SCHOOL DISTRICT NO. I-007
Summary Schedule of Surety Bonds
FOR THE YEAR ENDED JUNE 30, 2011

<u>Bond Type</u>	<u>Bonding Company</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Expiration Date</u>
Surety/ Superintendent- Act. Fund Custodian	Old Republic	W150070717	\$100,000.00	August 30, 2011
Surety/Admin. Secretary- Act. Fund Custodian- Encumbrance Clerk	Old Republic	LPO-2108409	\$100,000.00	July 1, 2011
Surety/ Treasurer	Western Surety	69775186	\$100,000.00	September 2, 2011

*The accompanying notes are an integral part of these statements.

