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

**STUART SCHOOL DISTRICT NO. I-54,  
HUGHES COUNTY, OKLAHOMA**

**JUNE 30, 2011**

**Audited by**

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54  
HUGHES COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-54  
HUGHES COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-54  
HUGHES COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

BOARD OF EDUCATION

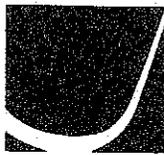
President	Bobby Talley
Vice President	Alan Murdaugh
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Member	Shannon Brown

SUPERINTENDENT OF SCHOOLS

Bill San Millan

MINUTES CLERK &  
SCHOOL DISTRICT TREASURER

Louise Hood



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

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Stuart School District No. I-054  
Stuart, Oklahoma 74570

I have audited the accompanying regulatory basis financial statements of Stuart School District No. I-054, Stuart, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

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

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Stuart School District No. I-054, Stuart, Oklahoma as of June 30, 2011, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Stuart School District No. I-054, Stuart, Oklahoma, as of June 30, 2011, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 30, 2011, 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 Stuart School District No. I-054's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the 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.

September 30, 2011

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2011**

ASSETS	GOVERNMENTAL FUND TYPES		CAPITAL PROJECTS	FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND	ACCOUNT GROUP		TOTALS	
	GENERAL	SPECIAL REVENUE			DEBT SERVICE	GENERAL	LONG-TERM DEBT	2011
Cash	\$ 671,952	116,679	242,477	37,594		9,439	1,237,084	1,211,500
Amounts available in debt service							9,439	8,077
Amounts to be provided for retirement of general long-term debt								
Total Assets	671,952	116,679	242,477	37,594	1,410,561		2,657,084	2,046,500

LIABILITIES AND FUND EQUITY

Liabilities								
Warrants payable	186,395	12,965		37,594			201,348	307,287
Funds held for school organizations							37,594	35,367
Unmatured obligations			233,038				233,038	183,555
Long-term debt:								
Bonds payable								
Total liabilities	186,395	12,965	233,038	37,594	1,420,000		1,891,980	835,000
Fund Equity								
Cash fund balances	485,557	103,714	9,439				765,104	685,291
Reserved cash fund balances								
Total fund equity	485,557	103,714	9,439				765,104	685,291
Total Liabilities and Fund Equity	\$ 671,952	116,679	242,477	37,594	1,420,000		2,657,084	2,046,500

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES			TOTALS			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only)	2011	2010
Revenues							
Local sources	\$ 1,038,123	162,747	191,639			1,392,509	1,545,083
Intermediate sources	66,984					66,984	68,841
State sources	690,853	2,474				693,327	612,152
Federal sources	278,418	99,695				378,113	428,889
Non-revenue receipts	2,120		549			2,669	
Total revenues	<u>2,076,498</u>	<u>264,916</u>	<u>192,188</u>			<u>2,533,602</u>	<u>2,654,965</u>
Expenditures							
Instruction	1,242,945					1,242,945	1,388,914
Support services	685,634	154,254		333,050		1,172,938	826,252
Operation of non-instructional services	44,108	126,014				170,122	208,908
Facilities, acquisition and const. services		18,000		332,889		350,889	66,463
Other outlays	2,120					2,120	
Repayments		91				91	
Debt service			190,826			190,826	310,739
Total expenditures	<u>1,974,807</u>	<u>298,359</u>	<u>190,826</u>	<u>665,939</u>		<u>3,129,931</u>	<u>2,801,276</u>
Revenues over (under) expenditures	101,691	(33,443)	1,362	(665,939)		(596,329)	(146,311)
Other financing sources (uses)							
Operating transfers in (out)	(2,608)	2,608				-	-
Estopped warrants	1,252					1,252	470
Bank charges	(110)					(110)	(2,167)
Bond proceeds				675,000		675,000	-
Total other financing sources (uses)	<u>(1,466)</u>	<u>2,608</u>	<u>-</u>	<u>675,000</u>		<u>676,142</u>	<u>(1,697)</u>
Revenue and other sources over (under) expenditures and other uses	100,225	(30,835)	1,362	9,061		79,813	(148,008)
Cash fund balance, beginning of year	385,332	134,549	8,077	157,333		685,291	833,299
Cash fund balance, end of year	<u>\$ 485,557</u>	<u>103,714</u>	<u>9,439</u>	<u>166,394</u>		<u>765,104</u>	<u>685,291</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - BUDGETED GENERAL FUND  
 JUNE 30, 2011**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 914,656	914,656	1,038,123
Intermediate sources	62,379	62,379	66,984
State sources	598,683	598,683	690,853
Federal sources	223,169	223,169	278,418
Non-revenue receipts			2,120
<b>Total revenues</b>	<u>1,798,887</u>	<u>1,798,887</u>	<u>2,076,498</u>
<b>Expenditures</b>			
Instruction	1,327,956	1,327,956	1,242,945
Support services	658,132	658,132	685,634
Operation of non-instructional services	5,436	5,436	44,108
Other outlays	2,120	2,120	2,120
Other uses	190,575	190,575	
Repayments			
<b>Total expenditures</b>	<u>2,184,219</u>	<u>2,184,219</u>	<u>1,974,807</u>
Revenues over (under) expenditures	(385,332)	(385,332)	101,691
<b>Other financing sources (uses)</b>			
Operating transfers in (out)			(2,608)
Estopped warrants			1,252
Bank charges			(110)
<b>Total other financing sources (uses)</b>			<u>(1,466)</u>
Revenue and other sources over (under) expenditures and other uses	(385,332)	(385,332)	100,225
Cash fund balance, beginning of year	<u>385,332</u>	<u>385,332</u>	<u>385,332</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>485,557</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues</b>			
Local sources	\$ 149,754	149,754	162,747
State sources	2,503	2,503	2,474
Federal sources	102,493	102,493	99,695
Total revenues	254,750	254,750	264,916
<b>Expenditures</b>			
Support services	92,346	92,346	154,254
Operation of non-instructional services	139,916	139,916	126,014
Facilities acquisition & const. services	3,443	3,443	18,000
Other outlays	1,254	1,254	
Other uses	152,340	152,340	
Repayments			91
Total expenditures	389,299	389,299	298,359
Revenues over (under) expenditures	(134,549)	(134,549)	(33,443)
<b>Other financing sources (uses)</b>			
Operating transfers in (out)			2,608
Bank charges			
Total other financing sources (uses)			2,608
Revenue and other sources over (under) expenditures and other uses	(134,549)	(134,549)	(30,835)
Cash fund balance, beginning of year	134,549	134,549	134,549
Cash fund balance, end of year	\$ -	-	103,714

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 REGULATORY BASIS - DEBT SERVICE FUNDS  
 JUNE 30, 2011**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	181,700	181,700	191,639
Non-revenue receipts			549
Total revenues	<u>181,700</u>	<u>181,700</u>	<u>192,188</u>
Expenditures			
Other outlays			
Debt service	<u>189,777</u>	<u>189,777</u>	<u>190,826</u>
Revenues over (under) expenditures	(8,077)	(8,077)	1,362
Cash fund balance, beginning of year	<u>8,077</u>	<u>8,077</u>	<u>8,077</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>9,439</u>

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-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies**

The basic financial statements of the Stuart Public Schools, District No. I-54 (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. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting*

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

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

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

**Governmental Fund Types**

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

**General Fund** - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2010-10 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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

**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 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 and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2010-11 fiscal year.

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

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

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

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

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

B. *Fund Accounting* - contd.

General 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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be 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;

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

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

and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

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

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

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

*F. Revenue and Expenditures*

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

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

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures- contd.*

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

The District receives revenue from the state to administer certain categorical 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures - contd.*

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

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

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

Facilities Acquisition and Construction Services Expenditures - 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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures - contd.*

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 was an operating transfer of \$2,608 from the general fund to the child nutrition fund.

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$1,237,084 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 deposits 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Deposits and Investments – contd.**

- 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.).

There were no investments held at June 30, 2011.

**3. General Long-term Debt**

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

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

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

	<u>Bonds Payable</u>
Balance, July 1, 2010	\$ 835,000
Additions	675,000
Retirements	<u>90,000</u>
Balance, June 30, 2011	<u>\$ 1,420,000</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

	<u>Amount outstanding</u>
<b><u>General Obligation Bonds</u></b>	
Building Bonds, Series 2005, original issue \$350,000, interest rate of 3.1-6.0%, first payment of \$30,000, beginning 6-01-07, payments thereafter due in installments of \$40,000, final payment due 6-01-15;	\$ 160,000
Building Bonds, Series 2008A, original issue \$240,000, interest rate of 3.10-6.60%, due in an initial installment of \$40,000 on April 1, 2011, final payment of \$50,000 due April 1, 2014;	150,000
Building Bonds, Series 2008B, original issue \$435,000, interest rate of 3.35-3.40%, due in annual installment of \$105,000 beginning January 1, 2011, final payment of \$120,000 due January 1, 2014;	435,000
Building Bonds, Series 2010, original issue \$675,000, interest rate of 1.15-1.45%, first payment of \$165,000, beginning 11-1-12, payments thereafter due in installments of \$170,000, final payment due 11-1-15;	<u>675,000</u>
<b>Totals</b>	<b><u>\$ 1,420,000</u></b>

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 195,000	36,479	231,479
2013	360,000	24,414	384,414
2014	365,000	15,631	380,631
2015	330,000	6,760	336,760
2016	170,000	1,105	171,105
Total	<u>\$ 1,420,000</u>	<u>84,389</u>	<u>1,504,389</u>

There was \$50,294 interest paid on general long-term debt incurred during the current year.

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**4. Employee Retirement System**

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

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

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.

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$121,967, \$132,808, and \$122,456 respectively.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
June 30, 2005	\$ 6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%
June 30, 2010	\$ 9,566.7	19,980.6	10,414.0	47.9%	3,854.8	270.2%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

**5. Contingencies**

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

**6. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS  
 JUNE 30, 2011**

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
Cash	\$ 83,369	33,310	116,679	141,134
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	10,581	2,384	12,965	6,585
Fund Equity				
Cash fund balances	72,788	30,926	103,714	134,549
Total Liabilities and Fund Equity	\$ 83,369	33,310	116,679	141,134

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2011	2010
<b>Revenues</b>				
Local sources	\$ 143,730	19,017	162,747	166,147
State sources		2,474	2,474	2,635
Federal sources		99,695	99,695	107,888
Total revenues	<u>143,730</u>	<u>121,186</u>	<u>264,916</u>	<u>276,670</u>
<b>Expenditures</b>				
Support services	154,254		154,254	80,252
Operation of non-instructional services		126,014	126,014	128,600
Facilities, acquisition & const. services	18,000		18,000	
Repayments		91	91	-
Total expenditures	<u>172,254</u>	<u>126,105</u>	<u>298,359</u>	<u>208,852</u>
Revenues over (under) expenditures	(28,524)	(4,919)	(33,443)	67,818
<b>Other financing sources (uses)</b>				
Operating transfers in (out)		2,608	2,608	4,298
Bank fees			-	(136)
Total other financing sources (uses)	<u>-</u>	<u>2,608</u>	<u>2,608</u>	<u>4,162</u>
Revenue and other sources over (under) expenditures and other uses	(28,524)	(2,311)	(30,835)	71,980
Cash fund balance, beginning of year	<u>101,312</u>	<u>33,237</u>	<u>134,549</u>	<u>62,569</u>
Cash fund balance, end of year	<u>\$ 72,788</u>	<u>30,926</u>	<u>103,714</u>	<u>134,549</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 - REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 130,594	130,594	143,730	\$ 19,160	19,160	19,017
State sources				2,503	2,503	2,474
Federal sources				102,493	102,493	99,695
Total revenues	<u>130,594</u>	<u>130,594</u>	<u>143,730</u>	<u>124,156</u>	<u>124,156</u>	<u>121,186</u>
Expenditures						
Support services	92,346	92,346	154,254			
Operation of non-instructional services				139,916	139,916	126,014
Facilities acquisition & const. services	3,443	3,443	18,000			
Other outlays	1,254	1,254				
Other uses	134,863	134,863		17,477	17,477	91
Repayments						
Total expenditures	<u>231,906</u>	<u>231,906</u>	<u>172,254</u>	<u>157,393</u>	<u>157,393</u>	<u>126,105</u>
Revenues over (under) expenditures	(101,312)	(101,312)	(28,524)	(33,237)	(33,237)	(4,919)
Other financing sources (uses)						
Operating transfers in (out)						2,608
Total other financing sources (uses)						<u>2,608</u>
Revenue and other sources over (under) expenditures and other uses			(28,524)			(2,311)
Cash fund balance, beginning of year	101,312	101,312	101,312	33,237	33,237	33,237
Cash fund balance, end of year	\$ -	-	<u>72,788</u>	\$ -	-	<u>30,926</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2011**

	2008	2010	2010	TOTALS
	BUILDING	TRANSPORTATION	BUILDING	(Memorandum Only)
	BOND FUND	BOND FUND	BOND FUND	2011      2010
Cash	\$ 9,802	-	158,580	168,382      182,333

ASSETS

LIABILITIES AND FUND EQUITY

Liabilities				
Warrants payable	1,988			1,988      25,000
Encumbrances				-
Total liabilities	1,988			1,988      25,000
Fund equity				
Cash fund balances	7,814	-	158,580	166,394      157,333
Total Liabilities and Fund Equity	\$ 7,814	-	158,580	166,394      157,333

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2011**

	2008		2010		2010		TOTALS	
	BUILDING BOND FUND	BOND FUND	TRANSPORTATION BOND FUND	BOND FUND	BUILDING BOND FUND	BOND FUND	2011	(Memorandum Only) 2010
Revenue								
Local sources	\$ -	-	-	-	-	-	-	-
Expenditures								
Support services			325,000	8,050			333,050	
Facilities, acquisition & const. services	149,519			183,370			332,889	66,463
Total expenditures	149,519		325,000	191,420			665,939	66,463
Revenues over (under) expenditures	(149,519)		(325,000)	(191,420)			(665,939)	(66,463)
Other financing sources (uses)								
Operating transfers in (out)								
Bond sales proceeds			325,000	350,000			675,000	
Total other financing sources (uses)	-		325,000	350,000			675,000	
Revenue and other sources over (under) expenditures and other uses	(149,519)		-	158,580			9,061	(66,463)
Cash fund balance, beginning of year	157,333		-	-			157,333	223,796
Cash fund balance, end of year	\$ 7,814		-	158,580			166,394	157,333

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND  
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES  
 JUNE 30, 2011**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2011	2010
<u>ASSETS</u>		
Cash	\$ 37,594	35,367
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 37,594	35,367

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Athletics	\$ 1,272	8,983	53,721	63,402	574
Miscellaneous	544	2,238	158	2,157	783
Class of 2012	2,957	4,723	(1,499)	1,172	5,009
Clearing	237	4,994	(265)	4,966	-
Baseball	239	9,355	(220)	8,492	882
Girls Basketball	1,046	10,669	1,750	12,720	745
4-H Club	408	109	-	72	445
Student Activity Counsel	51	-	-	-	51
FFA	5,042	48,432	3,136	53,864	2,746
Senior 4-H	52	31	-	24	59
Elementary	2,558	12,631	196	14,347	1,038
Class of 2013	364	1,187	15	498	1,068
Interest	94	-	129	-	223
Yearbook	60	4,540	32	4,502	130
High School	55	-	-	-	55
Math/Science	195	-	-	72	123
Library Fund	-	1,194	(21)	1,017	156
Accelerated Reader	45	55	-	92	8
Concession	7,465	33,595	(34,018)	-	7,042
Gate	-	17,348	(17,245)	-	103
Scholarship Fund	3,079	3,430	-	2,199	4,310
Softball Account	792	1,064	-	1,713	143
Class of 2014	-	260	-	62	198
Woodshop	25	-	-	-	25
Native American Club	947	4,351	(1,775)	2,469	1,054
School Store	80	50	(80)	-	50
Guidance	369	6,192	(123)	5,702	736
FFA Booster Club	2,001	5,225	-	5,794	1,432
Summer Little League	97	1,182	(202)	1,077	-
Class of 2011	702	6,855	1,642	9,199	-
Local Show Buckles	-	2,550	(50)	1,915	585
Local Show Ad Money	9	2,740	50	2,699	100
All sports	\$ 1,142	8,240	45	7,218	2,209

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>Activities</u>	Balance <u>July 1, 2010</u>	<u>Additions</u>	Net <u>Transfers</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
Boys Basketball	\$ 2,475	8,232	(1,675)	5,176	3,856
Journalism	3	162	-	165	-
Pride Team	280	1,597	90	1,578	389
Humanities	182	902	-	403	681
Mrs. Tipton	100	-	-	-	100
Cancer Awareness T-Shirts	-	2,772	-	2,633	139
HS Science	400	-	-	53	347
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<b><u>35,367</u></b>	<b><u>215,888</u></b>	<b><u>3,791</u></b>	<b><u>217,452</u></b>	<b><u>37,594</u></b>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<b><u>\$ 35,367</u></b>	<b><u>215,888</u></b>	<b><u>3,791</u></b>	<b><u>217,452</u></b>	<b><u>37,594</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VI Small, Rural School Ach. Program	84.358	S358A100278	\$ 21,464		18,413	18,413	
Title VII-Part A, Indian Education	84.060	S060A101335	34,266		34,266	28,060	6,206
Title VII-Part A, Indian Education 2009-10 - Note 1	84.060	S060A091335		2,316		2,316	
Subtotal			55,730	2,316	52,679	48,789	6,206
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		84,441	(27,410)	51,501	82,513	(31,012)
Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010				27,410		
Special Education, Flowthrough, P.L. 105-17	84.027		58,098	(19,183)	44,113	58,099	(13,986)
Special Education, Flowthrough 2009-10 - Note 1	84.027				19,183		
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		24,011		24,011	24,011	
Title II-Part A, REAP	84.367		17,667		16,751	16,751	
Title II-Part D, REAP	84.318		253		253	253	
Title II-Part D, Competitive	84.318		11,247			11,204	(11,204)
ARRA Education Stabilization Fund	84.394		35,367		35,367	35,367	
Education Jobs Fund	84.410		7,150		7,150	7,150	
Subtotal			238,234	(46,593)	225,739	235,348	(56,202)
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):					7,876	7,876	
National School Lunch Program	10.555				7,876	7,876	
Non-Cash Assistance Subtotal							

**INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<b>Cash Assistance:</b>							
National School Lunch Program	10.555				70,303	70,303	
School Breakfast Program	10.553				29,392	29,392	
<i>Cash Assistance Subtotal</i>					99,695	99,695	-
<i>Total For Program (Cluster)</i>					107,571	107,571	-
<b>Other Federal Assistance:</b>							
Johnson O'Malley	15.130		\$ 3,445			3,445	(3,445)
Subtotal			3,445		-	3,445	(3,445)
Total Federal Assistance			\$ 297,409	(44,277)	385,989	395,153	(53,441)

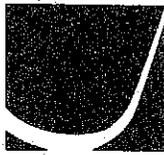
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$7,876 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-54, HUGHES COUNTY  
 SCHEDULE OF SURETY BONDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Treasurer	14238727	\$100,000	12/1/10-12/1/11
	Minutes Clerk	14238728	\$1,000	12/1/10-12/1/11
	Encumbrance Clerk	14238726	\$10,000	12/1/10-12/1/11
	Activity Fund Custodian	14238723	\$100,000	7/16/10-7/16/11
	Superintendent	70947839	\$100,000	6/16/11-6/16/12



**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  
Stuart School District No. I-54  
Stuart, Oklahoma 74570

I have audited the accompanying fund type and account group financial statements – regulatory basis of the Stuart School District No. I-54, Stuart, Oklahoma, as of and for the year ended June 30, 2011, which have been prepared on a basis prescribed by the laws of the State of Oklahoma, and which do not include the general fixed assets account group, and have issued my report thereon dated September 30, 2011. 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 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a certain deficiency in internal control over financial reporting that I do not consider to be a material weakness.

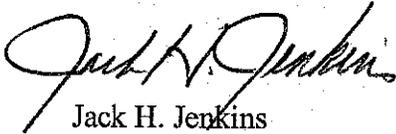
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, 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. I do not consider the deficiency described in the accompanying schedule of findings as 2011-01, to be a material weakness.

### **Compliance and Other Matters**

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

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



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

September 30, 2011

INDEPENDENT SCHOOL DISTRICT NO. 1-54, HUGHES COUNTY  
SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011

**Findings – Financial Statement Audit**

11-01 – Signed as Received

Condition: Several purchase orders and activity funds expenditures had supporting documentation that were not signed as received. This finding was also noted in 2010.

Criteria: Supporting documentation should be signed or initialed and dated by a receiving agent of the District to signify that the goods or services have been received and payment can be made.

Effect: Invoices could be paid without goods or services being received.

Recommendation: That all invoices and/or delivery tickets be initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 § 310.1a and 70 O.S. 1981 § 5-135C)

**INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

10-01 – Signed as Received

The discrepancy concerning several invoices not being signed or initialed, to verify the goods or services were received, continued in the current fiscal year.

10-02 – Special Education Program

The school was not subject to A-133 Single Audit testing for 2010-11.

INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2010 TO JUNE 30, 2011

State of Oklahoma )  
County of Tulsa )

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

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

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
3 day of, Oct, 2011

*Karla Jenkins*  
NOTARY PUBLIC



INDEPENDENT SCHOOL DISTRICT NO. I-54, HUGHES COUNTY  
AUDIT ACKNOWLEDGEMENT  
JULY 1, 2010 TO JUNE 30, 2011

The annual independent audit for the Stuart 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 district's 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 its 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."

*Diego San Martin*  
Superintendent of Schools

10/3/11  
Date of Board Meeting

*Bob Tally*  
Board of Education President

*Jonathan Hobbs*  
Board of Education Member

*Alan Yundt*  
Board of Education Vice President

*Kevin Cliff*  
Board of Education Member

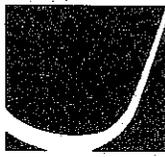
\_\_\_\_\_  
Board of Education Member

Subscribed and sworn to before me on this 3 day of Oct, 2011.  
My commission expires on 11 day of Nov., 2011.

*Karla Jenkins*  
Notary Public

Affix Notary Seal





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

September 30, 2011

Stuart Public Schools  
Attn: Mr. Bill San Millan  
8837 4<sup>th</sup> Street  
Stuart, OK 74570

Dear Mr. San Millan:

Listed below is the audit exception and recommendation from the final audit work we performed for you. Please review it 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, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse 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 the exception 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.

11-01 Signed as Received

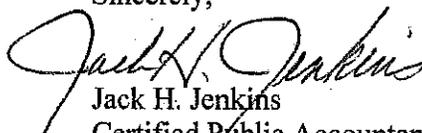
I observed during the audit several purchase orders and activity fund checks tested having supporting documentation that were not signed as received. Discrepancies were as follows:

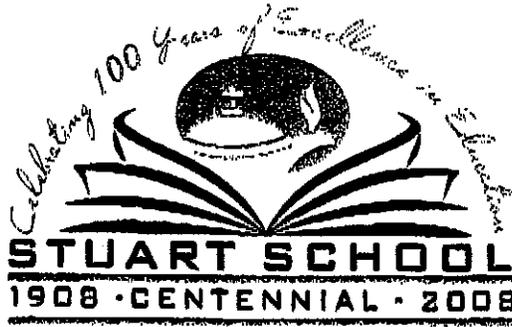
- General fund purchase order numbers 13, 50, 152, 248 and 312
- Building fund purchase order numbers 25, 63 and 76
- Building Bond Fund (31) purchase order numbers 1
- Activity fund check numbers 15428, 15491, 15500, 15533, 15600, 15643, 15652, 15759, 15842, 15851, 15858, 15866, 15924, 15946 and 16025

I recommend that all invoices and/or delivery tickets be initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 §310.1a and 70 O.S. 1981 §5-135C)

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.



State Dept of Education:

This letter is in response to the audit findings from auditor Jack H. Jenkins, CPA. On the findings that he needed more supporting documentation on some of the purchase orders and signed and received. In the future we will try to make sure all documentation is there, if we are not sure, we will call the auditor and ask what would be needed to make it acceptable.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill SanMillan", is written over a horizontal line.

Bill SanMillan, Superintendent  
Stuart Schools