

**OK SA&I COPY**

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

**TAHLEQUAH SCHOOL DISTRICT NO. I-35,  
CHEROKEE COUNTY, OKLAHOMA**

**JUNE 30, 2011**

**Audited by**

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35  
CHEROKEE COUNTY, OKLAHOMA  
JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35  
 CHEROKEE COUNTY, OKLAHOMA  
 JUNE 30, 2011**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35  
CHEROKEE COUNTY, OKLAHOMA  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2011**

BOARD OF EDUCATION

President	Tim Baker
Vice-President	Hamid Vahdatipour
Member	Shannon Pinson
Member	Luke Foster
Member	Donna Tinnin

SUPERINTENDENT OF SCHOOLS

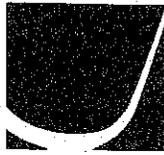
Dr. Shannon Goodsell

MINUTES CLERK

Diane Adamson

SCHOOL DISTRICT TREASURER

Danny Mason



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

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Tahlequah School District No. I-035  
Tahlequah, Oklahoma 74465-0517

I have audited the accompanying regulatory basis financial statements of Tahlequah School District No. I-035, Tahlequah, 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 Tahlequah School District No. I-035, Tahlequah, 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 Tahlequah School District No. I-035, Tahlequah, 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 November 11, 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 Tahlequah School District No. I-035's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



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

November 11, 2011

**COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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 GENERAL LONG-TERM DEBT	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE				DEBT SERVICE	2011
Cash	\$ 10,102,114	2,026,293	1,901,718	463,016		15,766,896	13,108,703
Investments					88,513	88,513	111,908
Amounts available in debt service							
Amounts to be provided for retirement of general long-term debt					7,428,406	7,428,406	7,426,216
Total Assets	<u>10,102,114</u>	<u>2,026,293</u>	<u>1,901,718</u>	<u>463,016</u>	<u>7,516,919</u>	<u>23,283,815</u>	<u>20,646,827</u>

**LIABILITIES AND FUND EQUITY**

Liabilities						3,428,044	3,035,807
Warrants payable	3,371,011	50,237	6,796			506,847	1,072,676
Encumbrances	119,455	54,824	332,568			463,016	388,958
Funds held for school organizations				463,016		1,813,205	1,556,250
Unmatured obligations			1,813,205				
Long-term debt:							
Bonds payable					5,835,000	5,835,000	6,750,000
Capital leases					1,681,919	1,681,919	788,124
Total liabilities	<u>3,490,466</u>	<u>105,061</u>	<u>339,364</u>	<u>463,016</u>	<u>7,516,919</u>	<u>13,728,031</u>	<u>13,591,815</u>
Fund Equity							
Cash fund balances	6,611,648	1,921,232	88,513			9,555,784	7,055,012
Reserved cash fund balances							
Total fund equity	<u>6,611,648</u>	<u>1,921,232</u>	<u>88,513</u>			<u>9,555,784</u>	<u>7,055,012</u>
Total Liabilities and Fund Equity	<u>\$ 10,102,114</u>	<u>2,026,293</u>	<u>1,901,718</u>	<u>463,016</u>	<u>7,516,919</u>	<u>23,283,815</u>	<u>20,646,827</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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	\$ 3,499,207	600,462	1,814,632	5,791	5,920,092	6,228,227
Intermediate sources	359,750				359,750	346,068
State sources	16,983,600	178,012	3,303		17,164,915	17,330,288
Federal sources	7,630,665	209,630			7,840,295	7,902,349
Non-revenue receipts	85,953				85,953	473,414
Total revenues	<u>28,559,175</u>	<u>988,104</u>	<u>1,817,935</u>	<u>5,791</u>	<u>31,371,005</u>	<u>32,280,346</u>
Expenditures						
Instruction	14,783,095	188,592		105,260	15,076,947	16,686,983
Support services	9,166,403	307,148		329,957	9,803,508	10,124,395
Operation of non-instructional services	1,742,985			953,344	1,742,985	1,694,982
Facilities, acquisition and const. services		89,620			1,042,964	2,293,187
Other outlays	353,955				353,955	576,910
Other uses	960				960	-
Debt service			1,841,330		1,841,330	1,612,500
Total expenditures	<u>26,047,398</u>	<u>585,360</u>	<u>1,841,330</u>	<u>1,388,561</u>	<u>29,862,649</u>	<u>32,988,987</u>
Revenues over (under) expenditures	2,511,777	402,744	(23,395)	(1,382,770)	1,508,356	(708,621)
Other financing sources (uses)						
Bank fees	(58)				(58)	-
Lapsed appropriations	4,527	54,715		346,522	405,764	66,033
Estopped warrants	1,710				1,710	3,671
Bond proceeds				585,000	585,000	3,750,000
Total other financing sources (uses)	<u>6,179</u>	<u>54,715</u>		<u>931,522</u>	<u>992,416</u>	<u>3,819,704</u>
Revenue and other sources over (under) expenditures and other uses	2,517,956	457,459	(23,395)	(451,248)	2,500,772	3,111,083
Cash fund balance, beginning of year	4,093,692	1,463,773	111,908	1,385,639	7,055,012	3,943,929
Cash fund balance, end of year	<u>\$ 6,611,648</u>	<u>1,921,232</u>	<u>88,513</u>	<u>934,391</u>	<u>9,555,784</u>	<u>7,055,012</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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	\$ 2,764,520	2,764,520	3,499,207
Intermediate sources	318,557	318,557	359,750
State sources	16,658,247	16,658,247	16,983,600
Federal sources	5,470,412	8,627,927	7,630,665
Non-revenue receipts	185,000	185,000	85,953
<b>Total revenues</b>	<u>25,396,736</u>	<u>28,554,251</u>	<u>28,559,175</u>
<b>Expenditures</b>			
Instruction	2,827,310	2,827,310	14,783,095
Support services	7,242,122	7,242,122	9,166,403
Operation of non-instructional services	1,547,682	1,547,682	1,742,985
Other outlays	311,967	311,967	353,955
Other uses			960
Non-categorical	17,561,347	20,718,862	
<b>Total expenditures</b>	<u>29,490,428</u>	<u>32,647,943</u>	<u>26,047,398</u>
Revenues over (under) expenditures	(4,093,692)	(4,093,692)	2,511,777
<b>Other financing sources (uses)</b>			
Bank fees			(58)
Lapsed appropriations			4,527
Estopped warrants			1,710
<b>Total other financing sources (uses)</b>			<u>6,179</u>
Revenue and other sources over (under) expenditures and other uses	(4,093,692)	(4,093,692)	2,517,956
Cash fund balance, beginning of year	<u>4,093,692</u>	<u>4,093,692</u>	<u>4,093,692</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>6,611,648</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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
Revenues			
Local sources	\$ 343,438	504,329	600,462
State sources	134,609	177,272	178,012
Federal sources			209,630
Total revenues	478,047	681,601	988,104
Expenditures			
Instruction			188,592
Support services			307,148
Facilities acquisitions and construction			89,620
Non-categorical	1,941,820	2,145,374	
Total expenditures	1,941,820	2,145,374	585,360
Revenues over (under) expenditures	(1,463,773)	(1,463,773)	402,744
Other financing sources (uses)			
Lapsed appropriations			54,715
Total other financing sources (uses)			54,715
Revenue and other sources over (under) expenditures and other uses	(1,463,773)	(1,463,773)	457,459
Cash fund balance, beginning of year	1,463,773	1,463,773	1,463,773
Cash fund balance, end of year	\$ -	-	1,921,232

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**REGULATORY BASIS - DEBT SERVICE FUNDS**  
**JUNE 30, 2011**

	<u>DEBT SERVICE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Revenues			
Local sources	\$ 1,729,422	1,729,422	1,814,632
State sources			3,303
Total revenues	<u>1,729,422</u>	<u>1,729,422</u>	<u>1,817,935</u>
Expenditures			
Other outlays			
Debt service	<u>1,841,330</u>	<u>1,841,330</u>	<u>1,841,330</u>
Revenues over (under) expenditures	(111,908)	(111,908)	(23,395)
Cash fund balance, beginning of year	<u>111,908</u>	<u>111,908</u>	<u>111,908</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>88,513</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-35, CHEROKEE 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 Tahlequah Public Schools Independent District No. I-35 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

*A. Reporting Entity*

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

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

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting*

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

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. The District did not maintain this fund during the 2010-11 fiscal year.

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

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

**Proprietary Fund Types**

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

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*B. Fund Accounting - contd.*

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

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

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

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

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

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

**Account Group**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

B. *Fund Accounting* - contd.

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

**Memorandum Only - Total Column**

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

C. *Basis of Accounting and Presentation*

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

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

*D. Budgets and Budgetary Accounting*

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

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

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

*E. Assets, Liabilities and Fund Equity*

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

Unmatured Obligations - The 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.

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures*

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures-* contd.

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

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

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

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

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a building fund and the non-special education portion of PL874 Impact Aid are apportioned there.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

*F. Revenue and Expenditures - contd.*

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

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

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

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

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

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**2. Deposits and Investments**

Custodial Credit Risk

At June 30, 2011, the District held deposits of approximately \$15,766,896 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.
- 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.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**3. General Long-term Debt**

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

General long-term debt of the District consists of bonds payable and four (4) capital leases. 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:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2010	\$ 6,750,000	788,124	7,538,124
Additions	585,000	1,270,355	1,855,355
Retirements	1,500,000	376,560	1,876,560
Balance, June 30, 2011	<u>\$ 5,835,000</u>	<u>1,681,919</u>	<u>7,516,919</u>

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Building Bonds, Series 2007, original issue \$4,300,000, interest rate of 3.75-3.85%, due in an initial installment of \$1,300,000 on 7-01-09, annual installments thereafter of \$1,500,000, final payment due 7-01-11;	\$ 1,500,000
Combined Purpose Bonds, Series 2009, original issue \$3,750,000, interest rate of 2.55-4.00%, due in an initial installment of \$90,000 on 7-01-11, annual installments thereafter of \$1,220,000, final payment due 7-01-14;	3,750,000

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>Amount outstanding</u>
<u>General Obligation Bonds – contd.</u>	
Combined Purpose Bonds, Series 2010, original issue \$585,000, interest rate of 1.40%, due in one installment of \$585,000 due 7-01-14;	\$ 585,000
<u>Capital Leases</u>	
Lease agreement for 5 <sup>th</sup> grade modular building, totaling \$617,300, dated 4-10-06, interest rate of 5.99%, monthly payments beginning 4-15-06 totaling \$10,195, final payment 3-15-12;	88,649
Lease agreement for capital equipment/improvements, totaling \$622,793, dated 5-23-07, interest rate of 4.83%, annual payments beginning 7-25-08 totaling \$106,976, final payment 7-25-14;	380,818
Lease agreement for equipment, totaling \$307,266, dated 10-12-09, interest rate of 4.40%, monthly payments beginning 11-20-09 totaling \$5,720, final payment 10-20-14;	212,452
Lease agreement for capital equipment/improvements, totaling \$1,000,000, dated 8-24-10, interest rate of 6.87%, annual payments beginning 2-24-11 of various amounts, final payment 8-24-20;	<u>1,000,000</u>
Totals	<u>\$ 7,516,919</u>

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2012	\$ 1,590,000	270,175	1,860,175
2013	1,805,000	93,850	1,898,850
2014	1,220,000	46,055	1,266,055
2015	1,220,000	15,555	1,235,555
Total	<u>\$ 5,835,000</u>	<u>425,635</u>	<u>6,260,635</u>

There was \$84,375 interest paid on long-term debt incurred during the current year.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

The annual debt service requirements for capital lease principal, and interest are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 310,727	94,939	405,666
2013	234,074	80,548	314,622
2014	246,400	67,691	314,091
2015	213,718	54,705	268,423
2016	95,000	43,247	138,247
Thereafter	582,000	105,180	687,180
Total	<u>\$ 1,681,919</u>	<u>446,310</u>	<u>2,128,229</u>

**4. Employee Retirement System**

Plan Description

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

Basis of Accounting

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

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY  
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Funding Policy

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

Annual Pension Cost

The District's portion of the total contributions for 2011, 2010 and 2009 were \$1,487,157, \$1,566,252, and \$1,553,431 respectively.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**5. Contingencies**

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

**6. Risk Management**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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>COOP FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2011</u>	<u>2010</u>
Cash	<u>\$ 1,984,060</u>	<u>42,233</u>	<u>2,026,293</u>	<u>1,710,895</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	8,004	42,233	50,237	90,255
Encumbrances	54,824		54,824	156,867
Total liabilities	<u>62,828</u>	<u>42,233</u>	<u>105,061</u>	<u>247,122</u>
Fund Equity				
Cash fund balances	1,921,232	-	1,921,232	1,463,773
Total Liabilities and Fund Equity	<u>\$ 1,984,060</u>	<u>42,233</u>	<u>2,026,293</u>	<u>1,710,895</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	BUILDING FUND	COOP FUND	TOTALS (Memorandum Only)	
			2011	2010
<b>Revenues</b>				
Local sources	\$ 439,571	160,891	600,462	1,116,674
State sources	740	177,272	178,012	180,199
Federal sources	209,630		209,630	215,345
Non-revenue receipts			-	384,388
Total revenues	<u>649,941</u>	<u>338,163</u>	<u>988,104</u>	<u>1,896,606</u>
<b>Expenditures</b>				
Instruction		188,592	188,592	417,654
Support services	157,577	149,571	307,148	421,079
Facilities, acquisition and const. services	89,620		89,620	94,322
Total expenditures	<u>247,197</u>	<u>338,163</u>	<u>585,360</u>	<u>933,055</u>
Revenues over (under) expenditures	402,744	-	402,744	963,551
<b>Other financing sources (uses)</b>				
Operating transfers in (out)			-	5,000
Lapsed appropriations	54,715		54,715	7,963
Total other financing sources (uses)	<u>54,715</u>	<u>-</u>	<u>54,715</u>	<u>12,963</u>
Revenue and other sources over (under) expenditures and other uses	457,459	-	457,459	976,514
Cash fund balance, beginning of year	<u>1,463,773</u>	<u>-</u>	<u>1,463,773</u>	<u>487,259</u>
Cash fund balance, end of year	<u>\$ 1,921,232</u>	<u>-</u>	<u>1,921,232</u>	<u>1,463,773</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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			CO-OP FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 343,438	343,438	439,571		160,891	160,891
State sources			740	134,609	177,272	177,272
Federal sources			209,630			
Total revenues	<u>343,438</u>	<u>343,438</u>	<u>649,941</u>	<u>134,609</u>	<u>338,163</u>	<u>338,163</u>
Expenditures						
Instruction						188,592
Support services			157,577			149,571
Facilities acquisitions and construction			89,620			
Non-categorical	1,807,211	1,807,211		134,609	338,163	
Total expenditures	<u>1,807,211</u>	<u>1,807,211</u>	<u>247,197</u>	<u>134,609</u>	<u>338,163</u>	<u>338,163</u>
Revenues over (under) expenditures	(1,463,773)	(1,463,773)	402,744	-	-	-
Other financing sources (uses)						
Operating transfers in (out)			54,715			
Lapsed appropriations			54,715			
Total other financing sources (uses)						
Revenue and other sources over (under) expenditures and other uses	(1,463,773)	(1,463,773)	457,459	-	-	-
Cash fund balance, beginning of year	<u>1,463,773</u>	<u>1,463,773</u>	<u>1,463,773</u>	-	-	-
Cash fund balance, end of year	\$ -	-	<u>1,921,232</u>	\$ -	-	-

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**COMBINING STATEMENT OF ASSETS, LIABILITIES AND**  
**FUND EQUITY - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2011**

	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	2010 TRANS BOND FUND	TOTALS (Memorandum Only) 2011                      2010
Cash	\$ 972,437	11,277	290,041	1,273,755                      2,401,059

ASSETS

LIABILITIES AND FUND EQUITY

Liabilities				
Warrants payable	6,796			6,796                      180,354
Encumbrances	332,568			332,568                      835,066
Total liabilities	<u>339,364</u>			<u>339,364</u> <u>1,015,420</u>
Fund equity				
Cash fund balances	633,073	11,277	290,041	934,391                      1,385,639
Total Liabilities and Fund Equity	\$ <u>965,641</u>	<u>11,277</u>	<u>290,041</u>	<u>1,266,959</u> <u>2,401,059</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS**

**JUNE 30, 2011**

	2009 BUILDING BOND FUND	2010 BUILDING BOND FUND	2010 TRANS BOND FUND	TOTALS (Memorandum Only) 2011	2010
Revenues					
Local sources		750	5,041	5,791	8,261
Expenditures					
Instruction	\$ 105,260			105,260	
Support Services	40,484	289,473		329,957	300,278
Operation of non-instructional services				-	
Facilities, acquisition & const. services	953,344			953,344	2,072,344
Total expenditures	<u>1,099,088</u>	<u>289,473</u>	<u>-</u>	<u>1,388,561</u>	<u>2,372,622</u>
Revenues over (under) expenditures	(1,099,088)	(288,723)	5,041	(1,382,770)	(2,364,361)
Other financing sources (uses)					
Lapsed appropriations	346,522			346,522	
Bond sales proceeds		300,000	285,000	585,000	3,750,000
Total other financing sources (uses)	<u>346,522</u>	<u>300,000</u>	<u>285,000</u>	<u>931,522</u>	<u>3,750,000</u>
Revenue and other sources over (under) expenditures and other uses	(752,566)	11,277	290,041	(451,248)	1,385,639
Cash fund balance, beginning of year	<u>1,385,639</u>	<u>-</u>	<u>-</u>	<u>1,385,639</u>	<u>-</u>
Cash fund balance, end of year	<u>\$ 633,073</u>	<u>11,277</u>	<u>290,041</u>	<u>934,391</u>	<u>1,385,639</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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	\$ 463,016	388,958
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 463,016	388,958

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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>
801 Football	\$ 5,190	46,792		48,178	3,804
802 Boys Basketball	1,221	5,347		7,005	(437)
803 Girls Basketball	3,202	5,905		8,838	269
804 Officials	3		(3)	-	-
805 Boys Baseball	969	3,566		4,270	265
806 Girls Softball	237	3,867		3,830	274
807 Wrestling	3,075	2,841		5,361	555
808 Boys Tennis	390	-		-	390
809 Girls Tennis	1,419	4,523		4,299	1,643
811 Boys Track	3,680	14,358		12,734	5,304
812 Girls Track	3,263	-		2,120	1,143
813 Golf	591	3,136		3,001	726
814 Cross Country	1,747	3,701		3,043	2,405
815 Soccer	3,937	6,900		9,098	1,739
816 Volleyball	125	3,555		3,393	287
821 Student Council	1,834	11,275		10,484	2,625
822 Library	8,158	53,003	(2,946)	46,633	11,582
823 PTA	44,822	119,393		116,001	48,214
824 Pictures	8,652	13,222		12,163	9,711
825 Courtesy/Flowers	1,292	2,283		2,711	864
826 Miscellaneous	24,954	155,895		133,377	47,472
827 Gifted & Talented	6,213	17,969		14,839	9,343
828 General Fund Refunds	-	12,150		531	11,619
829 Projects	19,477	75,772		66,020	29,229
831 S.A.D.D. -DFY	701	475		596	580
832 The Clothing Store	1,148	657		72	1,733
833 F.C.A.	503	614		515	602
834 Pom Pon Squad	3,153	16,049		18,896	306
835 Yearbook	42,021	42,131		35,577	48,575
836 Tiger Summer Camp	2,500	-		2,500	-
837 French Club	176	3,339		2,853	662
838 Honor Society	1,603	7,777		5,656	3,724
839 F.H.A.-FCCLA	1,916	11,088		9,916	3,088
841 Cheerleaders	7,406	65,835		64,991	8,250
842 Vocal Music	1,916	56,463		54,111	4,268
843 Band	22,848	115,406		120,481	17,773
844 Indian Heritage	460	-		-	460
845 Northeast OK Team Camp	\$ -	19,768		18,659	1,109

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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>
846 T-Club	\$ 174	4,484		2,492	2,166
847 Success Grant Activity	3,293	2,280		909	4,664
848 Junior Class	3,461	7,342		7,491	3,312
851 F.B.L.A.-BPA	4,163	5,007		5,325	3,845
854 F.F.A.	1,276	16,378		16,856	798
855 Science Club	22,678	18,766		27,592	13,852
856 Spanish Club	1,243	-		-	1,243
857 Gold Card Program	1,232	400		314	1,318
858 Athletic Department Fundraising	176	1,773		1,859	90
859 The Technology Account	1,347	1,450		681	2,116
862 Video Production	413	-		-	413
863 THS Basketball Rebound (Boys)	3,573	10,132		14,062	(357)
864 Special Olympics	14,693	11,605		11,352	14,946
865 Competitive Cheerleading	2	-		-	2
867 T.H.S. Drama Club	4,015	9,575		9,567	4,023
868 Tahlequah Learning Center	343	(343)		-	-
869 Journalism Account	576	-		187	389
871 CZ Country Art Show	49	(49)		-	-
872 Hepatitis "B" Shot Deposits	100	-		-	100
873 Transportation	934	380		442	872
874 JROTC	3,337	10,847		9,656	4,528
876 OPAT	191	-		-	191
877 Maintenance Department	419	190		202	407
878 Student Store	8,769	5,603		10,361	4,011
879 Parking Permits Account	4,369	5,640		6,493	3,516
881 Accufax	867	5,085		4,791	1,161
882 Doyle Green Scholarship Fund	1,162	1,039		1,162	1,039
883 The Baseball Booster Club	13,608	33,406		35,120	11,894
884 Tiger Cage Camp	101	1,210		-	1,311
885 Lady Tiger Cage Camp	3,076	2,350		4,870	556
886 THS Basketball Rebound (Girls)	3,551	30,413		26,586	7,378
887 Tahlequah Kickoff Club	5,041	33,530		19,266	19,305
888 Tiger Softball Camp	528	57,014		45,729	11,813
889 THS Softball Booster Club	2,573	18,528		16,926	4,175
891 Tahlequah Band Booster	3,005	35,913		26,823	12,095
893 Tiger Takedown Club	244	20,137		17,199	3,182
895 Back Pack Food Program	7,775	390		3,144	5,021
896 Tiger Soccer Booster Club	\$ 692	2,704		1,289	2,107

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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>
898 Professional Development Account	\$ 1,224	20		531	713
899 Pom Boosters	-	2,685		2,685	-
902 THS Golf Booster Club	1,956	2,593		4,432	117
903 Tahlequah Tennis Booster Club	630	12,524		9,289	3,865
904 Academic Team	3,202	2,580		2,682	3,100
905 GED Testing Program	5,937	6,635		5,044	7,528
906 THS Cross Country Boosters	152	3,159		2,653	658
909 Girls Soccer Booster Club	2,689	4,514		5,533	1,670
911 Cherokee Language	10	-		-	10
915 THS Volleyball Camp	532	5,318		1,979	3,871
917 Boot School Activity	16	(16)		-	-
918 Theatre Trip	290	(290)		-	-
919 Soft Serve	916	-		-	916
921 Bottlers	795	(795)		-	-
922 Maurice Box Memorial	500	500		500	500
923 Para Pro Testing	-	315		315	-
924 Young Readers Book Club	6	(6)		-	-
925 Art Class	177	4,970		3,496	1,651
927 HOSA	6	-		-	6
928 NHS State Convention	153	400		553	-
931 Indian Education Activity	10,260	7,174		12,928	4,506
932 Drama Club Travel Account	51	-		-	51
933 THS Photography Club	68	-		-	68
934 Welcome Center	244	(244)		-	-
935 AP Stat	1,546	-		472	1,074
938 English Club	148	411		248	311
941 Cherokee Elementary	1,089	1,472		2,013	548
942 THS Freshman Class	116	-		-	116
943 THS Algebra Class	828	-		191	637
Audit Adjustment	1,566	-		(1,896)	3,462
<b>TOTAL ASSETS - AGENCY FUNDS</b>	<b><u>388,958</u></b>	<b><u>1,312,153</u></b>	<b><u>(2,949)</u></b>	<b><u>1,235,146</u></b>	<b><u>463,016</u></b>
<b>LIABILITIES AND FUND EQUITY</b>					
Funds held for school organizations	<b><u>\$ 388,958</u></b>	<b><u>1,312,153</u></b>	<b><u>(2,949)</u></b>	<b><u>1,235,146</u></b>	<b><u>463,016</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2010	Revenue Collected	Total Expenditures	Ending Balance 6/30/2011
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII Impact Aid - 2011	84.041	S041B104221	\$ 190,969		190,969	42,813	148,156
Title VIII Impact Aid - 2008	84.041	S041B104221	37,299		37,299	4,443	32,856
Title VIII Impact Aid - 2007	84.041	S041B104221	33,140		33,140	4,522	28,618
High School Counseling Grant	84.215E	Q215E090012	266,152		214,424	253,836	(39,412)
High School Counseling Grant 2009-10 - Note 1	84.215E	Q215E090012	301,856	(67,799)	239,573	273,285	(33,712)
Postsecondary Education Preparation Project	84.299A	S299A080043	180,632	(43,038)	139,155	180,632	(41,477)
Postsecondary Education Preparation Project 2009-10 - Note 1	84.299A	S299A080043	21,235	(39,265)	39,265	21,235	(5,823)
Project Language Improvement	84.365C	T365C060001	380,871	(24,728)	24,728	380,871	(76,290)
Project Language Improvement 2009-10 - Note 1	84.365C	T365C060001	149,812	(89,020)	89,020	149,812	
Safe & Drug-Free Schools - Mentoring Program	84.184B	Q184B080042	424,592	(12,165)	12,165	385,350	(50,453)
Safe & Drug-Free Schools - Mentoring Program 2009-10 - Note 1	84.184B	Q184B080042	304,581	(24,728)	304,581	380,871	
Title VII-Part A, Indian Education	84.060	S060A100854	1,984,860	(49,583)	49,583	1,984,860	(37,537)
Title VII-Part A, Indian Education 2009-10 - Note 1	84.060	S060A100854	1,986,558	(325,598)	1,984,860	1,696,799	(37,537)
Random Student Drug Testing Program	84.184B	Q184D080007	1,418,199	(380,221)	380,221	1,346,197	(321,742)
Random Student Drug Testing Program 2009-10 - Note 1	84.184B	Q184D080007	245,506	(70,957)	173,141	245,506	(143,322)
Random Student Drug Testing Program 2009-10 - Note 1	84.184B	Q184D080007	31,152		20,416	26,290	(5,874)
Gear Up Project	84.389	P334A050046	9,550		9,550	9,550	
Gear Up Project 2009-10 - Note 1	84.389	P334A050046	133,450		73,340	113,848	(40,508)
Gear Up Project 2009-10 - Note 1	84.184D	P334A050046	289,684	(28,679)	28,679	241,072	(66,493)
Subtotal	84.184D	P334A050046	7,650	(64,343)	64,343	4,647	(4,647)
Subtotal	84.318	84.318	1,518	(288)	1,518	1,518	
Subtotal	84.318	84.318	288	(288)	288	22,026	(8,602)
Subtotal	84.365	84.365	\$ 25,493		13,424	22,026	(8,602)
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010	84.010	1,024,455		1,024,455	1,346,197	(321,742)
* Title I-Part A, Improving Basic Programs 2009-10 - Note 1	84.010	84.010	380,221	(380,221)	380,221	1,346,197	(321,742)
* ARRA Title I-Part A	84.389	84.389	245,506		173,141	245,506	(143,322)
* Title I-Part A, Neglected	84.010	84.010	31,152		20,416	26,290	(5,874)
* ARRA Title I-Part A, Neglected	84.389	84.389	9,550		9,550	9,550	
* Title I-Part C, Migrant Incentive	84.011	84.011	133,450		73,340	113,848	(40,508)
* Title I-Part C, Migrant Incentive 2009-10 - Note 1	84.011	84.011	289,684	(28,679)	28,679	241,072	(66,493)
* Title I-Part C, Migrant Incentive 2009-10 - Note 1	84.367	84.367	7,650	(64,343)	64,343	4,647	(4,647)
* Title II-Part A, Teacher & Principal Training	84.318	84.318	1,518		1,518	1,518	
* Title II-Part A, Teacher & Principal Training 2009-10 - Note 1	84.318	84.318	288	(288)	288	22,026	(8,602)
* Title II-Part D, Enhancing Education Thru Tech.	84.318	84.318	288	(288)	288	22,026	(8,602)
* Title II-Part D, Professional Development	84.318	84.318	288	(288)	288	22,026	(8,602)
* Title II-Part D, Professional Development 2009-10 - Note 1	84.318	84.318	288	(288)	288	22,026	(8,602)
* Title III-Part A English Language Acquisition	84.365	84.365	25,493		13,424	22,026	(8,602)

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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
Title III-Part A English Language Acquisition 2009-10 - Note 1	84.365			(4,668)	4,668		
Special Education, Flowthrough, P.L. 105-17	84.027		\$ 732,603		556,678	726,160	(169,482)
Special Education, Flowthrough 2009-10 - Note 1	84.027			(114,454)	114,454		
ARRA Special Education, Flowthrough, P.L. 105-17	84.391		3,515	(67,498)	71,013	3,515	(3,635)
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		14,739		11,051	14,686	
Special Education, Preschool, Ages 3-5 2009-10 - Note 1	84.173			(2,445)	2,445		
ARRA Special Education, Preschool, Ages 3-5	84.392			(3,926)	3,926		
IDEA-Systems of Care	84.173		5,000			4,680	(4,680)
IDEA-Systems of Care 2009-10 - Note 1	84.173			(3,417)	3,417		
Title IV-Part B, 21st Century	84.287		160,000		99,687	160,000	(60,313)
Title IV-Part B, 21st Century 2009-10 - Note 1	84.287			(33,308)	33,308		
Title VI-Small, Rural School Ach. Program	84.358		79,856		66,906	79,856	(12,950)
Title VI-Small, Rural School Ach. Program 2009-10 - Note 1	84.358			(2,815)	2,815		
Adult Basic Education	84.002		58,884		35,214	58,884	(23,670)
Adult Basic Education 2009-10 - Note 1	84.002			(19,605)	19,605		
Adult Basic Education - Corrections/Institutions	84.002		6,416		4,859	6,416	(1,557)
Adult Basic Education - Corrections/Inst. 2009-10 - Note 1	84.002			(570)	570		
ARRA Education Stabilization Funds	84.394		787,460		787,460	787,460	
Education Jobs Fund	84.410		655,985		396,087	655,985	(259,898)
Subtotal			4,666,660	(797,194)	4,178,117	4,508,296	(1,127,373)
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		72,328		60,637	72,328	(11,691)
Subtotal			\$ 72,328	-	60,637	72,328	(11,691)
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				83,168	83,168	
Non-Cash Assistance Subtotal					83,168	83,168	

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE 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
<i>Cash Assistance:</i>							
National School Lunch Program	10.555			(10,532)	985,768	995,583	(9,815)
National School Lunch Program 2009-10 - Note 1	10.555				10,532		
School Breakfast Program	10.553			(4,365)	320,379	324,122	(3,743)
School Breakfast Program 2009-10 - Note 1	10.553			(14,897)	4,365		
<i>Cash Assistance Subtotal</i>				(14,897)	1,321,044	1,319,705	(13,558)
<i>Total For Program (Cluster)</i>				(14,897)	1,404,212	1,402,873	(13,558)
<i>Other Federal Assistance:</i>							
Johnson O'Malley	15.130		\$ 70,750		47,465	70,742	(23,277)
Johnson O'Malley 2009-10 - Note 1	15.130			(26,327)	26,327		
Cherokee Nation CAN	93.243		241,115	73,303	150,312	139,679	83,936
ROTC	12.000		57,662		57,662	57,662	
Flood Control	12.112		8,518		8,518	8,518	
OJT	84.126		5,353		5,353	5,353	
<i>Subtotal</i>			383,398	46,976	295,637	281,954	60,659
<i>Total Federal Assistance</i>			\$ 7,106,944	(1,090,713)	7,923,463	7,962,250	(1,129,500)

\* Major federal programs

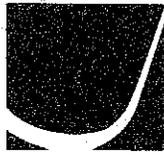
Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$83,168 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-35, CHEROKEE 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>
RLI	Superintendent	LSM0140103	\$100,000	7/1/10-7/1/11
	Minutes Clerk	LSM0140107	\$100,000	7/1/10-7/1/11
	Personal Manager	LSM0140107	\$100,000	7/1/10-7/1/11
	Deputy Treasurer	60169529648	\$100,000	7/1/10-7/1/11
Western Surety	Secretary/Treasurer	16093394	\$100,000	3/11/11-3/11/12
	Treasurer	18228222	\$100,000	6/29/11-6/29/12
	Activity Fund	16093394	\$100,000	3/11/11-3/11/12



**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  
Tahlequah School District No. I-035  
Tahlequah, Oklahoma 74465-0517

I have audited the regulatory basis financial statements of Tahlequah School District No. I-035, Tahlequah, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated November 11, 2011. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and unqualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

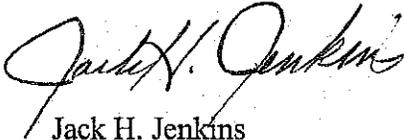
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 11-01.

I also reported this matter to the District's management in a separate letter dated November 11, 2011.

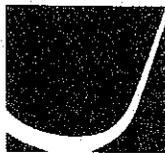
The District's response to the finding identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

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



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

November 11, 2011



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Board of Education  
Tahlequah School District No. I-035  
Tahlequah, Oklahoma 74465-0517

Compliance

I have audited the compliance of Tahlequah School District No. I-035, Tahlequah, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

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

In my opinion, Tahlequah School District No. I-035, Tahlequah, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

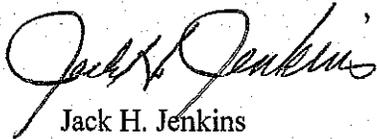
The management of Tahlequah School District No. I-035, Tahlequah, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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



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

November 11, 2011

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2010 TO JUNE 30, 2011**

**Summary of Auditor's Results**

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed and the financial statements do not include the general fixed asset account group.
2. The audit disclosed no deficiencies in the internal controls of the financial statements that were considered material weaknesses, but an immaterial instance of noncompliance was noted on the following page.
3. The audit disclosed no deficiencies in the internal controls over major federal programs that were considered material weaknesses.
4. An unqualified opinion report was issued on the compliance of major programs.
5. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
6. The programs tested as major federal programs were: the Child Nutrition Program, Title I Programs and the Stabilization Funds, which were each clustered in the determination and the Education Jobs Fund and Gear Up Grant, which were not clustered in the determination and each are designated with asterisks on pages 33-35.
7. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
8. The auditee was not determined to be a low-risk auditee.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JULY 1, 2010 TO JUNE 30, 2011**

**Findings – Financial Statement Audit**

11-01 – Activity Fund

Condition: The Custodian's Analysis report for the activity fund was not reconciled to the bank statements at the end of the fiscal year. A difference of \$3,462.24 was observed with no explanation for the difference. This finding also occurred in the 2009-10 fiscal year audit.

Criteria: Custodian Analysis reports should be on hand that reconciles to the bank statements on a monthly basis.

Effect: The sponsors for the activity fund may have been received an incorrect balance in regards to their subaccounts and would not be made aware of the error until the bank statement is properly reconciled.

Recommendation: That the activity fund custodian prepare a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and that this amount is balanced to the custodian's analysis on a monthly basis.

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

None

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

Activity Fund

The discrepancy involving the Activity Fund not balancing to cash continued in the current year.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE 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 Tahlequah School District for the audit year 2010-11.

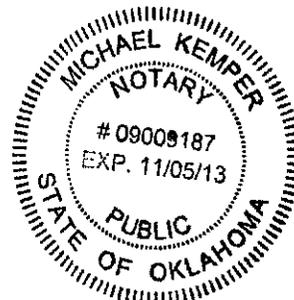
Jack H. Jenkins, CPA, P.C.

AUDITING FIRM

BY *Jack H. Jenkins*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
11<sup>th</sup> day of November, 2011

*Michael Kemper*  
NOTARY PUBLIC



**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY**  
**AUDIT ACKNOWLEDGEMENT**  
**JULY 1, 2010 TO JUNE 30, 2011**

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

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

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

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

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

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

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

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

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

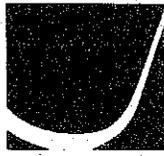
\_\_\_\_\_  
Board of Education Member

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

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

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

Affix Notary Seal



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

November 11, 2011

Tahlequah Public Schools  
Attn: Ms. Diane Adamson  
PO Box 517  
Tahlequah, OK 74465-0517

Dear Ms. Adamson:

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 Activity Fund

I observed during the audit the Custodian's Analysis for the activity fund was not reconciled to the bank statements at the end of the fiscal year. A difference of \$3,462.24 less in cash than the bank was observed with no explanation for the difference. I recommend a board approved adjustment to the activity fund at the end of the 2010-11 fiscal year to balance the custodian's analysis to the reconciled bank statement. Further, I recommend that the activity fund custodian prepare a listing of all cash and investment balances adjusted by outstanding checks, deposits in transit, etc. and that this amount is balanced to the custodian's analysis that is presented to the school board on a monthly basis.

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.

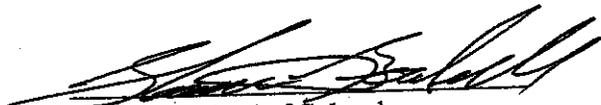
INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY  
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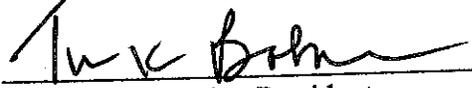
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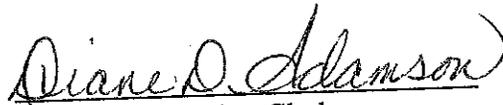
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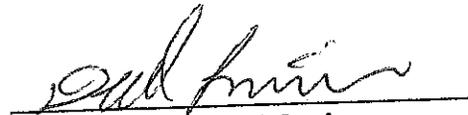
  
Superintendent of Schools

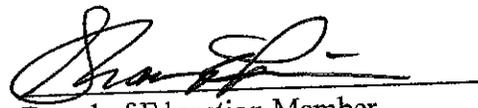
11/14/11  
Date of Board Meeting

  
Board of Education President

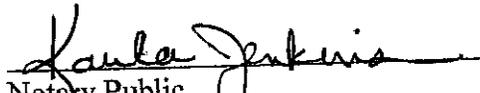
  
Board of Education Clerk

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

  
Board of Education Member

  
Board of Education Member

Subscribed and sworn to before me on this 14 day of Nov., 2011.  
My commission expires on 20 day of Nov., 2013.

  
Notary Public

Affix Notary Seal



**TAHLEQUAH  
PUBLIC  
SCHOOLS**



*Dr. Shannon Goodsell*  
Superintendent

*Lisa Presley*  
Assistant Superintendent

*Steve Merrill*  
Executive Director Federal  
Programs & Personnel

*Terry Garrett*  
Executive Director Technology  
& Central Academy

P O Box 517  
225 North Water Avenue,  
Tahlequah, Oklahoma 74465

PHONE: (918) 458-4100  
FAX: (918) 458-4103  
EMAIL: tpsi35@tahlequah.k12.ok.us

WEB PAGE:  
[www.tahlequah.k12.ok.us](http://www.tahlequah.k12.ok.us)

**BUSINESS OFFICE:**

*Diane Adamson*  
Finance Director

*Connie Garrett*  
Personnel Manager

*Christine Gonzales*  
Federal Programs Manager

*Pat Molloy*  
Activity Fund  
Custodian/Manager

**MEMO**

November 10, 2011

Jack H. Jenkins, CPA  
10026-A South Mingo Rd. #309  
Tulsa, Ok 74133-5700

Re: Activity Account - Prior Year Balancing

Prior year outstanding balances have been affected by voided checks and/or adjustments.

Our corrective plan from this point forward will be to make the proper data entry adjustments to reconcile any account modifications.

Pat Molloy  
Activity Fund Manager

Diane Adamson  
Finance Director