

UNION CITY INDEPENDENT SCHOOL DISTRICT NO. 57

CANADIAN COUNTY, OKLAHOMA

JUNE 30, 2011

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**UNION CITY INDEPENDENT SCHOOL DISTRICT NO. I-57, CANADIAN COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2011**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Union City Independent School District #57
Canadian County, Oklahoma

Board Members:

We have audited the accompanying fund type and account group financial statements, including budget and actual, of the **Union City Independent School District #57**, Canadian County, Oklahoma, which collectively comprise the district's regulatory financial statements as of and for the year ended June 30, 2011, as listed in the table of contents as combined financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Union City Independent School District #57**, Canadian County, has prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America although not reasonably determinable are presumed to be material.

In addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amount that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of **Union City Independent School District #57**, Canadian County, Oklahoma, as of June 30, 2011, or the changes in its financial position, for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Union City School District, No 57**, Canadian County, Oklahoma as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the School District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District as a whole. The combining fund statements and other schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and is also not a required part of the combined financial statements of **Union City Independent School District #57**, Canadian County, Oklahoma. The combining fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
January 17, 2012

COMBINED FINANCIAL STATEMENTS

Union City School District No. I-057, Canadian County, Oklahoma
Combined Statement of Assets, Liabilities and Equity
Regulatory Basis - All Fund Types and Account Groups
For the Year Ending June 30, 2011

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2011
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 334,383	\$ 55,238	\$ 55,931	\$ 0	\$ 33,271	\$ 0	\$ 478,823
Investments	169,497	149,679	83,392	4,036	0	0	406,604
Amounts Available in Debt Service Fund	0	0	0	0	0	139,323	139,323
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	370,677	370,677
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0	12,476	12,476
<i>Total Assets</i>	<u>\$ 503,880</u>	<u>\$ 204,917</u>	<u>\$ 139,323</u>	<u>\$ 4,036</u>	<u>\$ 33,271</u>	<u>\$ 522,476</u>	<u>\$ 1,407,903</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Warrants Payable	\$ 70,315	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,315
Reserve for Encumbrances	5,166	6,804	0	0	0	0	11,970
Due to Activity Groups	0	0	0	0	33,271	0	33,271
General Obligation Bonds Payable	0	0	0	0	0	510,000	510,000
Capitalized Lease Obligations Payable	0	0	0	0	0	12,476	12,476
<i>Total Liabilities</i>	<u>\$ 75,481</u>	<u>\$ 6,804</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,271</u>	<u>\$ 522,476</u>	<u>\$ 638,032</u>
Fund Equity:							
Reserved for Debt Service	\$ 0	\$ 0	\$ 139,323	\$ 0	\$ 0	\$ 0	\$ 139,323
Reserved for Capital Projects	0	0	0	4,036	0	0	4,036
Cash Fund Balance	428,399	198,113	0	0	0	0	626,512
<i>Total Fund Equity</i>	<u>\$ 428,399</u>	<u>\$ 198,113</u>	<u>\$ 139,323</u>	<u>\$ 4,036</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 769,872</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 503,880</u>	<u>\$ 204,917</u>	<u>\$ 139,323</u>	<u>\$ 4,036</u>	<u>\$ 33,271</u>	<u>\$ 522,476</u>	<u>\$ 1,407,903</u>

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

Union City School District No. I-057, Canadian County, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - All Governmental Fund Types
For the Year Ending June 30, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2011
Revenue Collected:					
Local Sources	\$ 536,963	\$ 111,919	\$ 298,008	\$ 13	\$ 946,903
Intermediate Sources	58,595	0	0	0	58,595
State Sources	1,103,251	0	0	0	1,103,251
Federal Sources	251,055	0	0	0	251,055
Non-Revenue Receipts	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,949,864</u>	<u>\$ 111,919</u>	<u>\$ 298,008</u>	<u>\$ 13</u>	<u>\$ 2,359,804</u>
Expenditures Paid:					
Instruction	\$ 1,107,730	\$ 0	\$ 0	\$ 0	\$ 1,107,730
Support Services	610,946	80,508	0	0	691,454
Operation of Non-Instructional Services	147,558	0	0	0	147,558
Facilities Acquisition and Construction	6,141	0	0	13,560	19,701
Other Outlays	1,773	0	0	0	1,773
Other Uses	20,435	0	0	0	20,435
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	285,000	0	285,000
Interest and Fiscal Agent Fees	0	0	26,975	0	26,975
<i>Total Expenditures Paid</i>	<u>\$ 1,894,584</u>	<u>\$ 80,508</u>	<u>\$ 311,975</u>	<u>\$ 13,560</u>	<u>\$ 2,300,626</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ 55,281</u>	<u>\$ 31,411</u>	<u>\$ (13,967)</u>	<u>\$ (13,547)</u>	<u>\$ 59,178</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):					
Estopped Warrants	\$ 563	\$ 0	\$ 0	\$ 0	\$ 563
Bond Proceeds	0	0	0	0	0
Transfers In	50,976	0	0	0	50,976
Transfers Out	(550)	0	0	0	(550)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 50,989</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,989</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ 106,269</u>	<u>\$ 31,411</u>	<u>\$ (13,967)</u>	<u>\$ (13,547)</u>	<u>\$ 110,166</u>
<i>Fund Balance - Beginning of Year</i>	<u>322,130</u>	<u>166,702</u>	<u>153,290</u>	<u>17,583</u>	<u>659,705</u>
<i>Fund Balance - End of Year</i>	<u>\$ 428,399</u>	<u>\$ 198,113</u>	<u>\$ 139,323</u>	<u>\$ 4,036</u>	<u>\$ 769,871</u>

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

Union City School District No. I-057, Canadian County, Oklahoma
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types
For the Year Ending June 30, 2011

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:									
Local Sources	\$ 456,074	\$ 456,074	\$ 536,963	\$ 65,189	\$ 65,189	\$ 111,919	\$ 266,290	\$ 266,290	\$ 298,008
Intermediate Sources	37,900	37,900	58,595	0	0	0	0	0	0
State Sources	983,151	983,151	1,103,251	0	0	0	0	0	0
Federal Sources	235,346	235,346	251,055	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 1,712,471</u>	<u>\$ 1,712,471</u>	<u>\$ 1,949,864</u>	<u>\$ 65,189</u>	<u>\$ 65,189</u>	<u>\$ 111,919</u>	<u>\$ 266,290</u>	<u>\$ 266,290</u>	<u>\$ 298,008</u>
Expenditures Paid:									
Instruction	\$ 2,069,601	\$ 2,069,601	\$ 1,107,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	0	0	610,946	231,891	231,891	80,508	0	0	0
Operation of Non-Instructional Services	0	0	147,558	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	6,141	0	0	0	0	0	0
Other Outlays	0	0	1,773	0	0	0	419,581	419,581	311,975
Other Uses	0	0	20,435	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 2,069,601</u>	<u>\$ 2,069,601</u>	<u>\$ 1,894,584</u>	<u>\$ 231,891</u>	<u>\$ 231,891</u>	<u>\$ 80,508</u>	<u>\$ 419,581</u>	<u>\$ 419,581</u>	<u>\$ 311,975</u>
<i>Excess of Revenues Collected Over (Under)</i>									
<i>Expenditures Paid Before Adjustments to</i>									
<i>Prior Year Encumbrances</i>	<u>\$ (357,130)</u>	<u>\$ (357,130)</u>	<u>\$ 55,281</u>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>	<u>\$ (153,290)</u>	<u>\$ (153,290)</u>	<u>\$ (13,967)</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):									
Estopped Warrants	\$ 0	\$ 0	\$ 563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	35,000	35,000	50,976	0	0	0	0	0	0
Transfers Out	0	0	(550)	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 50,989</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected</i>									
<i>Over Expenditures Paid and Other Financing</i>									
<i>Sources (Uses)</i>	<u>\$ (322,130)</u>	<u>\$ (322,130)</u>	<u>\$ 106,269</u>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>	<u>\$ (153,290)</u>	<u>\$ (153,290)</u>	<u>\$ (13,967)</u>
<i>Fund Balance - Beginning of Year</i>	<u>322,130</u>	<u>322,130</u>	<u>322,130</u>	<u>166,702</u>	<u>166,702</u>	<u>166,702</u>	<u>153,290</u>	<u>153,290</u>	<u>153,290</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 428,399</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 198,113</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 139,323</u>

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

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Union City Public Schools Independent District No. 57, Canadian County, Oklahoma (the "District") have been prepared in conformity with an other 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.

1.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 the 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 District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

1.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."

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, Governmental Fund Types, (continued)

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).

1. General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues 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.

2. Special Revenue Funds - The Special Revenue Funds of the District consist of the Building Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

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

4. Capital Projects Fund - The Capital Projects Fund consists of the Districts 2006 and 2008 Building and Transportation bond issues. These funds are used exclusively for acquiring transportation equipment, acquiring school sites, and constructing and equipping new facilities.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies, (continued)

1.B. Fund Accounting, (continued)

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

Account Groups

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

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

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

Memorandum Only - Total Column

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

1.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 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.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies, (continued)

1.C. Basis of Accounting and Presentation, (continued)

- 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 require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

1.D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

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.

1.E. Assets, Liabilities and Fund Equity

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

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

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

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

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies, (continued)

1.E. Assets, Liabilities and Fund Equity, (continued)

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

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

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

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

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

1.F. Revenue, Expenses, and Expenditures

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the 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.

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

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

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies, (continued)

1.F. Revenue, Expenses, and Expenditures, (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

Note 2 – Deposit and Investment Risk

The District held the following deposits and investments at June 30, 2011:

		<u>Carrying Value</u>
Deposits		
Demand Deposits	\$	497,816
Time Deposits		<u>406,604</u>
Total Deposits	\$	<u><u>904,420</u></u>
Investments		
	<u>Credit Rating</u>	<u>Maturity</u>
		<u>Fair Value</u>
		\$ <u>0</u>
Total Investments	\$	<u><u>0</u></u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity		
Cash and Cash Equivalents	\$	885,427
Activity Fund Outstanding Checks		<u>18,993</u>
Total Deposits and Investments	\$	<u><u>904,420</u></u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the District was not exposed to custodial credit risk as defined above.

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 2 – Deposit and Investment Risk, (continued)

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2011, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2011, the District had no concentration of credit risk as defined above.

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 3 - General Long-term Debt

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

General long-term debt of the District consists of bonds payable and judgments. Debt service requirements for bonds are payable solely from the fund balance and 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 Lease Obligations	Judgments 'Payable	Total
Balance July 1, 2010	795,000	11,421	0	806,421
Additions	0	7,670	0	7,670
Retirements	285,000	6,615	0	291,615
Balance, June 30, 2011	510,000	12,476	0	522,476

A brief description of the outstanding general obligation bond issues at June 30, 2011, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2006 Building Bonds	3.9-4.0%	June 1, 2013	\$ 675,000	\$ 235,000
2008 Combined Purpose Bonds	2.7-4.1%	May 1, 2013	525,000	275,000
Totals			\$ 1,200,000	\$ 510,000

Presented below is a summary of debt service requirements to maturity by years and by each bond issue.

	Principal	Interest	Total
2006 Building Bonds			
2011-12	\$ 110,000	\$ 9,400	\$ 119,400
2012-13	125,000	5,000	130,000
Sub Total	\$ 235,000	\$ 14,400	\$ 249,400
2008 Combined Purpose Bonds			
2011-12	\$ 125,000	\$ 7,850	\$ 132,850
2012-13	150,000	4,350	154,350
Sub Total	\$ 275,000	\$ 12,200	\$ 287,200
Total Bonds	\$ 510,000	\$ 26,600	\$ 536,600

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 3 - General Long-term Debt, (continued)

The District has entered into lease agreements as lessee for financing the acquisition of 31 acres of land and copiers. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Copiers	Land	Total
2012	\$ 1716	\$ 6,141	\$ 7,857
2013	1716	0	1,716
2014	1716	0	1,716
2015	1716	0	1,716
2016	426	0	426
Total	\$ <u>7,290</u>	\$ <u>6,141</u>	\$ <u>13,431</u>
Less: Amount Representing Interest	(663)	(292)	(955)
Present Value of Future Minimum Lease Payments	<u>6,627</u>	<u>\$ 5,849</u>	<u>\$ 12,476</u>

Note 4 - Employee Retirement System

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

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

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 4 - Employee Retirement System, (continued)

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2011. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$90,140, \$97,052, and \$93,078 respectively.

The compensation for employees covered by the System for the year ended June 30, 2011 was \$948,861; the District's total compensation was \$1,279,830. In addition to the District's 9.50% contributions, the District was required to pay into the System 6.5% of compensation arising from federal grants (\$90,140) and 9.50% of compensation arising from post retirement employees (\$2,017). There were \$54,499 contributions made by employees during the year ended June 30, 2011.

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 nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2010, is as follows:

Total pension obligation	\$ 19,980,640,592
Net assets available for benefits, at cost	<u>9,566,683,405</u>
Nonfunded pension benefit obligation	<u>\$ 10,413,957,187</u>

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

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2010. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. 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.

Union City ISD No. 57, Canadian County
Notes To The Financial Statements
For The Year Ended June 30, 2011

Note 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, employees' health and life and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 7 - Use of Estimates

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8 – Surety Bonds

The district has a public official schedule bond with Western Surety Company bond Number 65475817 which covers the period February 21, 2010 to February 21, 2011. The positions covered are superintendent \$100,000, and encumbrance clerk, and 2 administrative secretaries \$50,000.

OTHER SUPPLEMENTAL INFORMATION

Union City School District No. I-057, Canadian County, Oklahoma
Combining Statement of Assets, Liabilities and Cash Fund Balances
Regulatory Basis - All Special Revenue Funds
For the Year Ending June 30, 2011

<u>ASSETS</u>	<u>Building Fund</u>	<u>Total June 30, 2011</u>
Cash and Cash Equivalents	\$ 55,238	\$ 55,238
Investments	<u>149,679</u>	<u>149,679</u>
<i>Total Assets</i>	<u>\$ 204,917</u>	<u>\$ 204,917</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Warrants Payable	\$ 0	\$ 0
Reserve for Encumbrances	<u>6,804</u>	<u>6,804</u>
<i>Total Liabilities</i>	<u>\$ 6,804</u>	<u>\$ 6,804</u>
Fund Balance:		
Cash Fund Balance	<u>\$ 198,113</u>	<u>\$ 198,113</u>
<i>Total Fund Balance</i>	<u>\$ 198,113</u>	<u>\$ 198,113</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 204,917</u>	<u>\$ 204,917</u>

Union City School District No. I-057, Canadian County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Regulatory Basis - Special Revenue Funds
For the Year Ending June 30, 2011

	Building Fund	Total June 30, 2011
Revenue Collected:		
Local Sources	\$ 111,919	\$ 111,919
Intermediate Sources	0	0
State Sources	0	0
Federal Sources	0	0
Non-Revenue Receipts	0	0
<i>Total Revenue Collected</i>	\$ 111,919	\$ 111,919
 Expenditures Paid:		
Instruction	\$ 0	\$ 0
Support Services	80,508	80,508
Operation of Non-Instructional Services	0	0
Facilities Acquisition and Construction	0	0
Other Outlays	0	0
Other Uses	0	0
Repayments	0	0
Interest Paid and Bank Charges	0	0
<i>Total Expenditures Paid</i>	\$ 80,508	\$ 80,508
 <i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	 \$ 31,411	 \$ 31,411
 Adjustments to Prior Year Encumbrances	 \$ 0	 \$ 0
 Other Financing Sources (Uses):		
Estopped Warrants	\$ 0	\$ 0
Transfers In	0	0
Transfers Out	0	0
<i>Total Other Financing Sources (Uses)</i>	\$ 0	\$ 0
 <i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	 \$ 31,411	 \$ 31,411
 <i>Fund Balance - Beginning of Year</i>	 166,702	 166,702
<i>Fund Balance - End of Year</i>	\$ 198,113	\$ 198,113

Union City School District No. I-057, Canadian County, Oklahoma
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances
Special Revenue Funds - Budget and Actual
For the Year Ending June 30, 2011

	Building Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenue Collected:						
Local Sources	\$ 65,189	\$ 65,189	\$ 111,919	\$ 65,189	\$ 65,189	\$ 111,919
Intermediate Sources	0	0	0	0	0	0
State Sources	0	0	0	0	0	0
Federal Sources	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 65,189</u>	<u>\$ 65,189</u>	<u>\$ 111,919</u>	<u>\$ 65,189</u>	<u>\$ 65,189</u>	<u>\$ 111,919</u>
Expenditures Paid:						
Instruction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Support Services	231,891	231,891	80,508	231,891	231,891	80,508
Operation of Non-Instructional Services	0	0	0	0	0	0
Facilities Acquisition and Construction	0	0	0	0	0	0
Other Outlays	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Repayments	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 231,891</u>	<u>\$ 231,891</u>	<u>\$ 80,508</u>	<u>\$ 231,891</u>	<u>\$ 231,891</u>	<u>\$ 80,508</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>
Adjustments to Prior Year Encumbrances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Financing Sources (Uses):						
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>	<u>\$ (166,702)</u>	<u>\$ (166,702)</u>	<u>\$ 31,411</u>
<i>Fund Balance - Beginning of Year</i>	<u>166,702</u>	<u>166,702</u>	<u>166,702</u>	<u>166,702</u>	<u>166,702</u>	<u>166,702</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 198,113</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ (0)</u></u>	<u><u>\$ 198,113</u></u>

Union City School District No.1-057, Canadian County, Oklahoma
Combining Assets, Liabilities and Fund Equity
Activity Fund - Regulatory Basis
For the Year Ending June 30, 2011

<u>ASSETS</u>	School Activity Fund
Cash	\$ 33,271
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 33,271</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities:	
Due To Activity Groups	\$ <u>33,271</u>
<i>Total Liabilities</i>	<u>\$ 33,271</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 33,271</u>

Union City School District No.1-057, Canadian County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Regulatory Basis - Activity Fund
For the Year Ending June 30, 2011

ACTIVITIES	July 1, 2010	Additions	Deletions	June 30, 2011
Athletic	\$ 1,967	\$ 29,662	28,603	\$ 3,026
FFA	3,705	53,771	54,427	3,050
Shop	1,491	0	477	1,014
General Fund	1,158	4,008	3,851	1,315
FCCLA	1,266	1,899	1,881	1,283
Elementary	1,865	4,540	5,215	1,190
Petty Cash	0	550	550	0
Yearbook	3,615	5,288	5,679	3,224
Library	2,813	2,745	2,729	2,829
Student Council	2,227	1,879	2,638	1,468
Math & Science Club	160	160	237	83
Clearing Account	0	13,086	13,086	0
Junior Pep Club	475	0	0	475
Library Memorial Fund	516	0	0	516
Coke Account	721	1,913	1,689	945
Child Nutrition	0	37,889	37,890	0
High School Cheerleader	118	0	0	118
Drama	371	0	0	371
Class of 2009 (12)	(28)	28	0	0
Class of 2010 (12)	159	0	159	0
Class of 2011 (12) Sr.	591	478	834	236
F.C.A.	770	701	798	674
Class of 2012 (11) Jr.	401	6,531	5,590	1,341
Class of 2013 (10 Soph.)	243	0	0	243
Class of 2014 (Fresh)	86	79	0	165
Class of 2015 (8)	123	18	0	141
Playground Account	1,975	1,806	0	3,781
Junior High Academics	1,600	1,425	1,062	1,962
Class of 2016 (7)	0	73	0	73
Tournament Donations	1,605	0	61	1,544
Athletics/Basketball	842	7,104	5,742	2,204
Total Activities	\$ 30,835	\$ 175,632	\$ 173,196	\$ 33,271

UNION CITY INDEPENDENT SCHOOL DISTRICT NO. 57, CANADIAN COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA#	Pass-Through Grantor's Project Number	Deferred Revenue (Accounts Receivable) July 1, 2010	Federal Grant Receipts	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) June 30, 2011
U.S. Department of Education						
<u>Direct Programs:</u>						
Small Rural School Achievement	84.358A	588	0	25,569	25,569	0
<u>Passed Through Oklahoma State Department of Education:</u>						
Title I, Basic	84.010	511	0	44,285	44,285	0
Title I Cluster			0	44,285	44,285	0
IDEA-B Flowthrough	84.027	621	0	0	65,606	(65,606)
ARRA IDEA B, Flow Through	84.391A	622	0	0	23,076	(23,076)
Special Education Cluster			0	0	88,682	(88,682)
ARRA Education Stabilization Fund	84.394	782	0	64,177	64,177	0
ARRA Government Service Fund	84.397	789	7,012	0	0	7,012
ARRA Stabilization Cluster			7,012	64,177	64,177	7,012
Title II, Part A	84.367	586	0	10,734	10,734	0
Title II, Part D	84.318	586	0	148	148	0
Education Jobs Fund	84.410	790	0	0	0	0
Total U.S. Department of Education			7,012	144,912	233,594	(81,670)
U.S. Department of Health and Human Services						
<u>Passed through Oklahoma Health Care Authority:</u>						
Medicaid Resources	93.778	698	6,706	0	6,706	0
Total U.S. Department of Health and Human Services			0	0	6,706	0
U.S. Department of Agriculture						
<u>Passed Through State Department of Education:</u>						
Breakfast Program (Note 2)	10.553	385	0	31,190	31,190	0
Lunch Program (Note 2)	10.555	385	0	74,952	74,952	0
Commodities Distributed-Lunch (Note 3)	10.555	N/A	0	11,125	11,125	0
Child Nutrition Cluster			0	117,268	117,268	0
Total U.S. Department of Agriculture			0	117,268	117,268	0
TOTAL FEDERAL ASSISTANCE			7,012	262,180	357,568	(81,670)

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - The District does not track expenditures paid from these federal programs separately. Thus, expenditure amounts are the amount of federal revenues received from these programs during the fiscal year.

Note 3 - Commodities received in the amount of \$11,125 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

The following transactions related to the American Recovery and Reinvestment Act:

	CFDA #	Program #	ARRA Federal Grant Receipts	ARRA Federal Grant Expenditures	ARRA Deferred Revenue (Accounts Rec)
ARRA Special Education	84.391A	622	0	23,076	(23,076)
ARRA Education Stabilization Fund	84.394	782	64,177	64,177	0
ARRA Government Service Fund	84.397	789	0	0	7,012
			64,177	87,253	(16,064)



CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Board of Education
Union City Independent School District #57
Canadian County, Oklahoma

Board Members:

We have audited the fund type and account group financial statements, including budget and actual, of **Union City Independent School District #57**, as of and for the year ended June 30, 2011, which collectively comprise the District's regulatory financial statements, as listed in the table of contents as combined financial statements, and have issued our report thereon dated January 17, 2012. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to a departure related to the general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2011-1 Finding

Statement of Condition - During the 2009-10 year audit, we noted that the district did not track how it spent \$7,012 of ARRA Government Service Fund monies (project 789). We recommended the District contact the Oklahoma Department of Education to determine what corrective action needed to be taken. It appears the district did not contact the Oklahoma Department of Education.

Criteria – All federal revenues received should be tracked to show how it was expended.

Cause/Effect of Condition. - Due to the failure to follow up on this finding, the district may be required to refund the money.

Recommendation – The district should contact the Oklahoma Department of Education to determine what corrective action should be taken.

Views of Responsible Officials and Planned Corrective Action - The District will follow up on this matter.

2011-2 – Finding

Statement of Condition – The District prepares employment contracts for the employee’s main duties and a separate contract for extra duties. However, several of these contracts were not signed by the board of education.

Criteria – Employment contracts should be signed by the board verifying the amounts to be paid.

Cause/Effect of Condition – This appears to be an oversight by district management. It could allow employees to be paid amounts not approved by the board of education.

Recommendation –Employee payments should be supported by contracts signed by the employee and the board of education.

Views of Responsible Officials and Planned Corrective Action – Management will review contracts for the 2011-12 year to ensure they have board of education signature and approval.

2011-3 – Finding

Statement of Condition – During activity fund expenditure testing, we noted several areas of concern including an expenditure with no supporting invoice (\$2,728.54 to Scholastic Book Fair), several invoices had no signature indicating the goods or services were received, and two expenditures/adjustments were coded to wrong sub-account (\$600 charged to Athletics but should have been Shop and \$1,400.46 charged to STUCO but should have been FFA).

Criteria _ All activity fund expenditures should have supporting documentation, a signature for receipt of goods/services, and be posted to the correct subaccount.

Cause/Effect of Condition – Lack of application of proper purchasing procedures allowed expenditures to be paid without invoices/ and or proof of goods and services received. The STUCO subaccount was understated and the FFA subaccount was overstated by \$1,400.26 and the Athletics subaccount was understated and the Shop subaccount overstated by \$600.

Recommendation – We recommend that checks not be issued without an itemized invoice that is signed by an employee, designating the goods/services are received.

Further, we recommend the District adjust the above subaccounts for misclassifications. In addition, we recommend the sponsors be provided a list of transactions affecting their subaccount each month and that they be required to review and approve the transactions.

Views of Responsible Officials and Planned Corrective Action Plan – Management agrees with therecommendations and will make every effort to ensure these procedures and being followed. The subaccounts will be adjusted to correct the errors made.

2011-4 – Finding

Statement of Condition – During fundraiser testing, we noted deposits were not being made timely for the FFA account and for gates and concessions. Also, the gate reconciliations did not include beginning and ending ticket numbers. Also, we noted that FFA and FCCLA did not issue receipts for some of their fundraisers.

Criteria – Oklahoma State Statutes require deposits be made daily if over \$100, but never less than once a week. The Statutes also require receipts be issued whenever possible and ticket reconciliations be prepared that compares tickets issued to gate proceeds.

Cause/Effect of Condition – There appears to be a lack of implementation of proper fundraising/ depositing procedures. This allows the opportunities for theft or loss of school funds.

Recommendation – We recommend sponsors issue receipts for all money received and deposit the money timely. In addition, we recommend the gate reconciliation sheets have beginning and ending ticket numbers, so a proper reconciliation can be prepared.

Views of Responsible Officials and Planned Corrective Action Plan – Management agrees with the recommendation and will make every effort to see that these procedures are followed in the future.

2011-5 – Finding

Statement of Condition – It appears purchase orders/requisitions are not being issued prior to purchases being made in both the activity fund and the appropriated funds.

Criteria – Purchase orders should be issued and signed by the purchasing officer and encumbrance clerk/activity fund custodian prior to purchase being made.

Cause/Effect of Condition – The person in charge of issuing purchase orders was not aware of this requirement and therefore, purchases could be made that are not for an approved purpose, and/or not enough funds could be available.

Recommendation – We recommend purchase orders/requisitions be issued, checked for available balances and signed by the purchasing officer and encumbrance clerk or activity fund custodian prior to a purchase being made.

Views of Responsible Officials and Planned Corrective Action Plan – Management agrees and will implement these procedures.

Compliance and Other Matters

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

The District's response to the findings identified in our audit are described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education of **Union City Independent School District #57**, Oklahoma State Department of Education, and certain federal regulatory agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Angel, Johnston + Blessingame, P.C.

Chickasha, Oklahoma
January 17, 2012

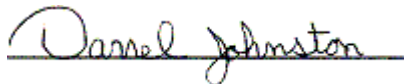
OTHER INFORMATION

Union City ISD No. 57, Canadian County
Schedule of Accountant's Professional Liability Insurance Affidavit
For Year Ending June 30, 2011

STATE OF OKLAHOMA)
)ss
COUNTY OF GRADY)

The undersigned auditing firm 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 *Union City Independent School District* for the audit year 2010-11.

ANGEL, JOHNSTON, & BLASINGAME, P.C.



by _____

Subscribed and sworn to before me this _____ day of _____, 2012.

Notary Public

My Commission Expires 11-12-2012

Union City ISD No. 57, Canadian County
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2011

Internal Control Over Financial Reporting

2010-1 Finding - Lack of Segregation of Duties

Statement of Condition - The District has a lack of segregation of duties in the Activity Fund. The Activity Fund custodian collects money, writes checks and reconciles the bank account. Although other internal controls are in place, a good system of internal controls provides for a proper segregation of these functions.

Criteria – A good system of internal controls provides for a proper segregation of the collecting, check writing and reconciling functions.

Cause/Effect of Condition – Due to the limited number of personnel available in the accounting area, there is a possibility that errors or irregularities may occur and not be detected within a timely period by another employee while performing their normal procedures.

Recommendation – The board should assess the advantages of segregating the accounting functions in order to determine whether hiring/assigning additional personnel would be cost effective.

Current Status - Management does not feel that it would be cost effective to hire additional personnel needed to segregate these duties.

2010-2 – Finding – The district received \$7,012 of project code 789 ARRA Government Stabilization money; however, they did not code any expenditures to the project code to show how the monies were spent. Also, they did not code enough expenditures to the Medicaid project code to cover revenue received. Federal regulations require all federal monies received to be tracked using project codes in order to track how the money was spent.

Recommendation – The district needs to contact the Oklahoma Department of Education to determine what needs to be done regarding these coding errors.

Current Status – This was not followed up on and has been listed as a finding for the 2010-11 year. See Schedule of Findings and Questioned Costs.

2010-3 – Finding – The Class of 2009 sub-account in the activity fund had a negative balance of \$28.41 on June 30, 2010. State law prohibits negative balances for activity fund sub-accounts.

Recommendation – The activity fund custodian should make sure that there are enough funds in the sub-account prior to approving purchases, so that activity fund subaccounts will not have negative balances.

Current Status – There were no negative activity fund sub account balances as of June 30, 2011.

**UNION CITY PUBLIC SCHOOL DISTRICT
CANADIAN COUNTY**

**AUDIT FINDINGS
CORRECTIVE ACTION PLAN**

AUDIT YEAR 2010-2011

REF #2011-1

**FINDING- DISTRICT DID NOT TRACK \$7012 OF ARRA
STEPS IMPLEMENTED-CONTACTED STATE DEPARTMENT
COMPLETION DATE-DECEMBER 2011**

REF #2011-2

**FINDING-SOME CONTRACTS WERE NOT SIGNED BY BOE
STEPS IMPLEMENTED-HAD BOE SIGN CONTRACTS
COMPLETION DATE- DECEMBER 2011**

**REF #2011-3 LACK OF INVOICES FOR ACTIVITY FUND EXPENDITURES
STEPS-MANAGEMENT WILL MAKE EVERY EFFORT TO NOT ISSUE
CHECKS WITHOUT PROPER INVOICE.
COMPLETION DATE-DECEMBER 2011**

REF # 2011-4

**FINDING-DEPOSITS ARE NOT BEING MADE IN A TIMELY MANNER IN
REGARDS TO FFA ALSO LACK OF RECEIPTS FOR FFA AND FCCLA
FUNDRAISERS
STEPS IMPLEMENTED-MANAGEMENT WILL MAKE EVERY EFFORT TO
SEE PROPER PROCUDURES ARE BEING FOLLOWED IN THE FUTURE.
COMPLETION DATE-DECEMBER 2011**

REF #2011-5

**FINDING-PO'S SHOULD BE SIGNED BEFORE PURCHASES BEING MADE
STEPS-MANAGEMENT WILL CHECK BALANCES AND SIGN PO'S BEFORE
PURCHASES BEING MADE
COMPLETION DATE-DECEMBER 2011**

REF # 2010-1

**FINDING-LACK OF SEGREGATION OF DUTIES
STEPS-BOE WILL ASSESS AND DETERMINE COST EFFECTIVENESS**

REF # 2010-2

FINDING-DID NOT CODE EXPENDITURES/ARRA AND MEDICAID

STEPS-CONTACTED SDE

REF # 2010-3

FINDING-NEGATIVE SUB-ACCOUNT

STEPS-MAKE SURE THERE ARE NO NEGATIVE ACCOUNTS

COMPLETION DATE-JUNE 30, 2011

